EXTENSION OF THE APPALACHIAN REGIONAL DEVELOPMENT ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON REGIONAL AND COMMUNITY DEVELOPMENT

OF THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

S. 2144

A BILL TO EXTEND THE APPALACHIAN REGIONAL DEVELOPMENT ACT TO PROVIDE TRANSITIONAL ASSISTANCE TO THE APPALACHIAN REGION

MARCH 29, 1982

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CONTENTS

OPENING STATEMENTS

	Page
Randolph, Hon. Jennings, U.S. Senator from the State of West Virginia	1
Stafford, Hon. Robert T., U.S. Senator from the State of Vermont	3

WITNESSES

Alexander, Hon. Lamar, Governor, State of Tennessee	4
Prepared statement	60
Responses to written questions	65
Byrd, Hon. Robert C., U.S. Senator from the State of West Virginia	15
Flannery, Maureen A., M.D., Ary, Ky	19
Gilchrist, Daniel, manager, manufacturing service, Bonner Fiberboard Co., Wellsburg, W. Va	28
Kellenberger, George, managing director, Greater Parkersburg Chamber of Commerce, Parkersburg, W. Va	39
Knepp, Judge Casto H., Fentress County, Jamestown, Tenn	25
Prepared statement	72
Miller, Charles L., Commissioner, West Virginia Department of Highways	31
Prepared statement	76
Winter, Hon. William F., Governor, State of Mississippi, accompanied by Fran Morovitz, executive secretary, Appalachian Regional Commission	9
Prepared statement	62
Responses to written questions	65
Yost, Dwayne, executive director, Kentucky Mountain Housing Development Corp., Manchester, Ky	11

ADDITIONAL MATERIAL

Appalachian Governors, report to Congress	113
S. 2144	157
Statements:	
Sasser, Hon. Jim, U.S. Senator from the State of Tennessee	3
Brown, Hon. John Y., Jr., Governor, State of Kentucky	45
James, Hon. Fob, Governor, State of Alabama	96
Haack, Hon. Harey, Deputy Secretary for Planning, Pennsylvania Department of Transportation	98

EXTENSION OF THE APPALACHIAN REGIONAL DEVELOPMENT ACT

MONDAY, MARCH 29, 1982

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
SUBCOMMITTEE ON REGIONAL AND COMMUNITY DEVELOPMENT,
Washington, D.C.

The subcommittee met at 1:15 p.m., in room 4200, Dirksen Senate Office Building, Hon. Jennings Randolph presiding.

Present: Senators Stafford, Randolph, and Burdick.

OPENING STATEMENT OF HON. JENNINGS RANDOLPH, U.S. SENATOR FROM THE STATE OF WEST VIRGINIA

Senator RANDOLPH. Our hearing this afternoon is an important one, and I am personally and officially grateful for the presence of the chairman of the Environment and Public Works Committee, Senator Stafford of Vermont, knowing of his busy schedule.

We are hopeful that the Members of the Senate and the House of Representatives will have the opportunity to use the testimony and to understand the reasoning of witnesses who will appear on behalf of the pending legislation.

I thank you again, my colleague, for your being here with us today.

Senator Quentin Burdick of North Dakota is also present for our hearing. His work in regional and community efforts within this subcommittee and the full committee has been of a very constructive nature, and thank you, Quentin, for being present.

It is a pleasure to greet the people of Appalachia who will share with Members of the committee their thoughts and experiences on efforts to upgrade the quality of life and improve the economy of our region.

I welcome the Governors who have developed a program for the future of the ARC. I welcome the witnesses from the region who are involved in the program at the local level. I welcome the highway commissioners who will review the successes and remaining challenges to improve transportation in our rugged land.

This is a hearing of the Subcommittee on Regional and Community Development. Senator Frank Murkowski, who ably chairs the subcommittee, is unable to be with us today and has graciously requested that I conduct the hearing. There is no discussion over which I would rather preside than that of the Appalachian Regional Commission. I was privileged 17 years ago to author the original

act, and I have carefully observed the progress that has been made in the region since that time.

We need today to take stock of those accomplishments and to consider what lies ahead. The committee has before it a bill, S. 2144, which provides the authority to carry out the phase-down program proposed to the Congress last December by the 13 regional Governors. There are now 14 cosponsors to this measure. This hearing is the first step in the legislative consideration of that bill.

The Appalachian program was initiated because the region consistently lagged behind the rest of the Nation in its economic and social development. In the early 1960's the region was beset with a declining population, personal income below the national level, substandard housing, inadequate health and education facilities, and a darth of the public facilities that make economic development feasible. In addition, the mountainous terrain had impeded the development of the modern transportation system.

Since the program was initiated, much has been accomplished. In the key transportation field, 1,730 miles of development highways have been completed to link communities within the region and to major population centers nearby. This represents an investment of $2.6 billion in Federal funds, and substantial state funds.

Another $1.76 billion in Federal funds have been used in 13,073 area development projects. In many, many instances this ARC money was the catalyst or seed money to be combined with state, local and other Federal resources. Often the ARC funds determined whether a project could be carried out.

I will share just a few examples of what has been accomplished. We now have 670 vocational education facilities in the region, capable of providing training to 400,015 students. In the field of health care, great strides have been made through a unique delivery system for health care. As a result, 85 percent of the region's counties have at least one basic health program. Infant mortality rates have declined, and the number of physicians has increased by 30 percent. At the end of last year, 400 primary health clinics were operating in the region. Housing is another serious need in our region. With ARC assistance, 19,105 housing units have been developed, most of them in the last 6 years when an intensive effort was started.

These are just a few areas in which substantial progress has been made. We know, however, that the job is incomplete and the investments of the past would be imperiled if the program were abruptly ended. The people of Appalachia recognize this situation. That is why we are together today to review the proposal of the Governors and to make plans for an orderly transition to the future.

I welcome our witnesses and I look forward to counseling with you.

Senator Sasser, from Tennessee, had wanted to be here to welcome his Governor, Governor Alexander but he has not yet arrived back in Washington. He has a statement, which will be a part of the record, in which he indicated his belief in the importance of the continuance of the ARC program. Without objection, I would include the complete statement for the record.

[The statement referred to follows:]

STATEMENT OF HON. JIM SASSER, U.S. SENATOR FROM THE STATE OF TENNESSEE

Mr. Chairman: I regret not being able to be present here today at this very important legislative hearing to determine the future of the Appalachian Regional Commission. I am pleased to be one of the first cosponsors of Senator Randolph's bill, S. 2144, and would like to say at this time that I am in full support of his efforts here today.

I also wish to welcome representatives from my own home state of Tennessee this afternoon. Governor Lamar Alexander has been highly supportive of the Appalachian Regional Commission. In seconding the motion made by Governor Hunt of North Carolina that the ARC adopt a resolution appealing for adequate funding to finish its fine work, Governor Alexander made specific reference to the "bi-partisan tradition" which has characterized Commission activities and support since its inception.

Casto H. Knepp is the County Judge for Fentress County and an old friend. As the Committee shall hear, the area he represents typifies the needs of the Appalachian region, and provides some of the best justifications for completing the jobs of the ARC.

The Appalachian Regional Commission is one program that works. It shifts power from Washington to the States so that national priorities can be adapted to the regional needs of States and communities. The adoption of S. 2144 would provide the necessary assurance to the affected areas that the Federal Government will not leave the job undone, that essential sewage and drinking water facilities and highways will be completed for the Appalachian region.

I pledge my support for Senator Randolph's efforts here today. I commend Governor Alexander's and Judge Knepp's testimony to the Committee today.

Senator RANDOLPH. We are delighted to have comment from our chairman of the full committee, Mr. Stafford.

OPENING STATEMENT OF HON. ROBERT T. STAFFORD, U.S. SENATOR FROM THE STATE OF VERMONT

Senator STAFFORD. Thank you very much, Senator Randolph.

I want to personally join you in the welcome extended to the distinguished Governors who are here today. I am here because I recognize the importance of the Appalachian region to the United States, and particularly recognize the importance of Jennings Randolph to this committee as well.

I did want to tell you that the Senate majority leader, Howard Baker, would especially prefer to be here if events permitted it. But he has a very important meeting in progress which is in conflict with us this afternoon and for that reason he cannot be here to personally extend his welcome. But I can assure you he will be studying the transcript of this hearing that will be made this afternoon.

Senator RANDOLPH. Thank you very much, Mr. Chairman.

Would you want to speak, Senator Burdick?

Senator BURDICK. I will yield my time to the able Governors.

Senator RANDOLPH. We are delighted to have with us two of the Governors of the region. We have received a telegram from Governor John Young Brown of Kentucky. He is the States Cochairman this year. He is unable to be with us, but he asked that his statement be placed in the record, and, without objection, that will be done. [See p. 45.]

We are very happy to welcome Lamar Alexander of Tennessee, the 1981 States' cochairman, and also Governor William Winter of Mississippi. Perhaps there will be other Governors that will appear later. Later in the hearing the minority leader of the Senate, Robert Byrd of West Virginia, plans on giving testimony.

The Governors are accompanied by Fran Moravitz, the Executive Director of the ARC.

You may proceed.

STATEMENTS OF HON. LAMAR ALEXANDER, GOVERNOR, STATE OF TENNESSEE, AND HON. WILLIAM F. WINTER, GOVERNOR, STATE OF MISSISSIPPI, ACCOMPANIED BY FRAN MOROVITZ, EXECUTIVE SECRETARY, APPALACHIAN REGIONAL COMMISSION

Governor ALEXANDER. Thank you, Senator Randolph, Senator Stafford, Senator Burdick. I am proud to be here and appreciate the opportunity especially to appear with my friend Governor Winter. He and I see eye to eye exactly on this issue, I believe, and if we don't he will say so in a minute.

I have a statement which I have submitted to the chairman and would like for that to be entered into the record. [See p. 60.] I would like to make three or four comments about that, and then I will stop so Governor Winter may have a chance to make his remarks, and we can respond to any questions you may have.

I would like to focus on what I believe must be the central question before United States Senators dealing with any requests for appropriated funds, and that is at a time when budget deficits may exceed $100 billion there must be a good reason for any penny spent. I want to say what we are asking and why we are asking for it.

I hope you will permit me to say I have a personal interest in this for a variety of reasons. One, I am an eighth generation East Tennessean. My grandfather ran away from east Tennessee when he was 11 to get a job, and some of the conditions are still the same, and those are the conditions the Appalachian Commission has sought to change.

A second personal interest is in 1967, when I was Senator Baker's legislative assistant—he often described me as one of his six or seven best legislative assistants over the last several years—I was here working with these staff members, some of them, at a time when Bailey Guard was presumed to be perpetually assigned as the minority counsel of this committee. And I am glad to see he is still here. But it also gave me the opportunity, Senator Randolph, to observe firsthand the bipartisan attitude toward the importance of the Appalachian Regional Commission. At that time you were the chairman of this committee and Senator Cooper, if I am not mistaken, was the ranking Republican member, and Senator Baker had a deep interest in it too. It was that attitude that has developed during the whole history of the Appalachian Regional Commission. The idea here was a part of the country that had special pockets of poverty that the Federal Government had a responsibility to try to help with those while it could.

But why should it still? That is the question. Why should it still when there may be deficits in excess of $100 billion and when there is unemployment across the country and there are plenty of people with a claim to the Federal Government?

The answer is that we Governors, all 13 of us in these States, are not asking that the Appalachian Regional Commission continue,

we are asking instead that it end, that it end in an orderly phaseout. And we would respectfully suggest that if every other sponsor and every other constituency of every other Federal program would take the same attitude toward the Federal budget there would be no deficit. In fact, there would be no budget after a few years. We are asking for the same sort of treatment that we think would be reasonable because we are willing to take our share of what we believe is the national problem, with too many dollars that need spent and too few to spend.

It is important that we go back to last year. There is not a program that I know of in the Appalachian Region that is more popular with the Governors. It is the most popular of all the $1 billion that comes into Tennessee of federally collected dollars to spend; first, because it can be directed in areas that do the most good, and second, because it has so few strings on it we can spend it in a way local officials think really helps. So last year the Governors, in a bipartisan way, looked at the President's recommendation, looked at the national situation and said, well, the President has indicated, and he is right, that the country needs to trim its sails, that the national budget is out of control and something needs to be done about Federal spending. So we will support him on that and we will even follow the request of the Congress to come up with a suggested way to phase out our favorite program.

Well, we have done that. And when I say our favorite program, I am not saying that it does anything for us, it just helps the people whom we represent. So we have done that. So I think it is important that we focus on what we are asking.

We are asking that, on the highway finish-up program, that you complete another 550 miles of the planned system for a total completed mileage of 2,350 miles by 1990, and then the program is over. Road building takes a while. If we were to start today—Governor Winter might even say it would take longer—it is 6 or 7 years from the time you start until you finish, and you just can't stop in the middle of building a highway system.

Our phaseout program commits the State to complete an additional 70 miles of system without any Federal funds or without any Federal Appalachian Regional Commission funds.

Three, our phaseout program sets priorities based on the highest traffic loads, largest volume of coal transportation, the most restrictive gaps and the most critical State line crossings. In other words, we will put this money where it makes the most sense by objective standards. This isn't political logrolling we are talking about.

No. 4, we don't complete over 680 miles of the planned system. The planned system of roads that the Appalachian Regional Commission, Congress and the Governors all thought essential, we eliminated 680 miles of these roads. Over that period of time there would be set up a ceiling of $2.27 billion on the Federal funds required, one-third of the cost of completing the entire system. That is a lot of money. But when one considers that building a four-lane highway in the Appalachia area can sometimes cost $2, $4, $6 million a mile, it is less money.

Now in the nonhighway program we ask that it be phased out in 5 years, $60 million annually to be used only for those projects

critical to the creation or retention of private sector jobs and for local development districts; another $15 million annually for another 5 years to help the 60 most distressed counties in the region meet their most critical needs, especially safe drinking water and waste disposal. There are counties in the Appalachian region that are better off than others. We are suggesting this money go to the poor ones. In Tennessee we have 12 counties in the Upper Cumberland region that are among the poorest counties of the entire Appalachian area. That is where most of the money ought to go. We are asking for $8 million for 3 years to finish up ARC's health program by extending basic health care to 82 counties not reached.

Let me use that as an example. Sometimes we government officials or people in the news media speak in great phrases and terms and don't use examples enough, and it is hard to understand what we are talking about. I think what we Governors are saying, if you are out of money here, we understand that; give us time to adjust to your withdrawal.

Let's take the health care area. I am presently arguing with my general assembly that we ought to add $2 million to what we call prenatal health care. We understand that we can reduce mental retardation in our State by 50 percent—instead of having 2,000 babies born every year that are mentally retarded we might have only 1,000 babies born every year with that affliction—if we gave better care to infants and their mothers before the infants are born. Our State has not done a good enough job on that in the past. But a $2 million increase in appropriations for this area is a significant increase. It will permit us to put prenatal health care in 50 more counties rural in nature. We really need a total of $8 million, which would be $5 million more, to have prenatal care available in every county in the State that ought to have it—and we intend to get there. But we can't get there in 1 year. And as you withdraw in an orderly basis we intend to phase in on an orderly basis.

It is my own view, and I don't speak for all Governors on this subject, but as a general matter, I believe community development programs on a permanent basis are programs that States and localities can fund themselves and operate themselves more efficiently. But the Appalachian Regional Commission has moved into an area and needs to move out if it goes out on a slower basis so we don't leave roads stopped in the middle of building or health care programs interrupted at a time when they need to be rebuilt.

Our proposed phaseout would also reduce the maximum level of ARC support to 50 percent for all nonhighway grants. In other words, if it is worth putting on, the local governments will have to come up with 50 percent of the money. Perhaps the State could help too. It would make ineligible for ARC funding projects such as libraries, cultural centers, hospital construction, social services facilities, multiyear operating grants. Critics can say we have been a little too generous with money in the past. We might argue we haven't. But we are responding to that. We will focus the money and target where needed most and on the projects that make the most sense. That would be a total of $399 million more in appropriation over a 5-year period.

So our specific request is for about $300 million in fiscal year 1983. That is the amount of money to be phased out over a period

of 5 years in the nonhighway area and by 1990 in the highway area. If every other worthwhile program in the Federal budget took that sort of attitude toward its existence, you wouldn't have a Federal budget problem here in Washington. And I am confident, although I know it is not easy, that as you begin to examine many of the programs in the Federal Government that also claim support, that the Appalachian Regional Commission program will come out at the top of the list in terms of making sure that the dollars you have spent go where they ought to go.

Now Governor James, of Alabama, asked me to make certain that I represented his full support for this program. Most of you know Governor James. He used to be a Republican. Now he is a Democrat. He is as tight with a dollar as anybody I know. I just listened to him this morning as he talked about the importance of separating functions of the Federal Government and the local governments. But he too believes, as I do, that this is an important program.

And, finally, I think I ought to say this about why it is still important that the Appalachian region be treated specially. From some of the things you hear in here you might think that the reason you might justify an abrupt, sudden termination of the program was suddenly everything was rosy in the mountains and that suddenly everybody was poor in other parts of the country. Of course, there are many counties in most States that are poor, that have people who need extra help. But it still is a fact that most of those counties are in the Appalachian region. Tennessee, as an example, has a per capita income of about 83 percent of the national average. We are doing everything we can to upgrade that and think we have done a lot in terms of doubling the amount of capital investment and bringing in Japanese truck plants, and you hear a lot about that. But the Commerce Department still projects it will probably be about the year 2020 before we reach 100 percent of the national average income for the people in our State. And we have many counties that are considerably below that.

I am confident Governor Winter will tell you in Mississippi it is even more difficult in terms of money.

So we are still poor in many counties in our region. We will phase out the program on an orderly basis. We will pick up those programs wherever we can, such as in prenatal health care and such as in industrial development. We are only asking that we take our share of the national urgency to balance the budget and not more than that.

Does it work? I am sure it does. One of the interesting things that we are doing today in Tennessee is comparing our rural west Tennessee counties which are as poor as the upper Cumberland east Tennessee counties and what we are finding out is the upper Cumberland east Tennessee mountain counties, for one reason or another, have done a better job in the last 15 years in making themselves more independent. The more we look into that the more we suspect that the millions of dollars a year that has gone from the Appalachian Regional Commission into the eastern and middle Tennessee counties in sewer systems, water systems, industrial training has not only produced new structures but it has produced a new sophistication and a new attitude about what it takes

to help yourself get ahead in terms of a community and in terms of dollars, and they have moved ahead of our west Tennessee counties. We in Tennessee will probably over the next 5 years begin to do in the rural poor counties that have not had the benefit of ARC funding exactly the same thing that you have been doing for 17 years in the other counties. So the seed money that you talk about, Senator Randolph, will have been true seed money. It will have pioneered the way, set an example, and then give the States a chance to move ahead.

Any of us could go on forever and much longer than you have time to listen, but I think each of the Governors would want me to say we are united in this and strongly believe in the program, that we supported the President last year in his need to balance the budget—I for one still do—and know that those are very difficult questions that you have. But as you look at the merit of the program and our willingness to take more than our share, there must be room somewhere in the budget for an orderly phaseout rather than an abrupt ending of the Appalachian Regional Commission.

Thank you.

Senator RANDOLPH. Thank you, Governor Alexander. You have given a factual presentation, which is highly important. You have a feel for this area, you understand the spirit of the people, you are one of them, and the testimony that you have given will help to make the record substantial.

Is there a question that you wish to ask?

Senator STAFFORD. Not at this time.

Senator RANDOLPH. Senator Burdick.

Senator BURDICK. Yes, I will ask a question.

You have alluded to the condition of the budget and what our deficits are going to be. You said there might be someplace where we might cut the budget to accommodate this $300 million which you are asking for. Have you got any suggestions where the other places might be?

Governor ALEXANDER. No, I don't. If I had I probably would have run for the Senate this year.

But with all due respect, I think we Governors have to be a little careful. It is not up to us to come up here and give you too much advice about what you ought to do with the Federal tax dollars and how you ought to balance your budget, because then it is perfectly appropriate for you to ask us then to take on the responsibility for telling us where. I can't do that. I have a hard enough time with the State budget. What I hope I can contribute is as I look at all the $1 billion of money you send back through the State government, that the approximately $20 million or so we get in Tennessee, this is the $20 million best spent dollars we get. It would be my hope that as you weigh that with everything else, you would find some room. I think the highest urgency is getting the country's economy straightened out. I hope my comments are thought of in that spirit. But I don't have a place to tell you to cut.

Senator BURDICK. As our former chairman has said, I have been a supporter of this program because I thought it was necessary. I also think it is important to have a good farm program. I think there are a lot of good programs that are necessary. I just wanted to know where this would fit in our priorities if we have to do

something about this enormous deficit we are now facing. Where would you put the ARC in the range of priorities?

Governor ALEXANDER. Well, Senator, of the $1 billion that comes through the State government, the grants in aid, I would put it first.

Senator BURDICK. That makes that pretty clear.

Thank you very much.

Senator RANDOLPH. Thank you, Senator Burdick.

Governor Winter, we are conscious of the meeting that you and others have in a few minutes, but we would want you as the chief executive of the State of Mississippi to make such comments as you would desire.

Also, the members of the committee would wish to recognize your lovely spouse who is with you. Thank you very much, Mrs. Winter, for being present.

STATEMENT OF HON. WILLIAM F. WINTER

Governor WINTER. Mr. Chairman, Chairman Stafford, Senator Burdick, let me thank you for affording me as the Governor of Mississippi and as a participant in the activities of the Appalachian Regional Commission the privilege of appearing before this committee today.

I want to subscribe to the very eloquent, factual, realistic statements that have been made by my good friend and my distinguished colleague, the Governor of Tennessee.

I have a prepared statement, Mr. Chairman, and I would like to file it for the record with the committee. [See p. 62.

In addition to that, I would like to make a very brief personal statement based on my own actual observations and experiences in my own State of the effect of the Appalachian Regional Commission on those 20 counties of the 82 that I have the privilege of representing.

I know, sir, of the great work that you have done in instituting this program. I grew up on the edge of Appalachia. I grew up on a farm one county removed from the Appalachian region of my State. I have, therefore, had the occasion, both personally and officially, to observe what the impact of the ARC programs have been in that region that has been singled out for these special programs. I said, and I believe you were present, at the meeting of ARC at the National Governors' Association recently that it has been my observation that you can drive across county lines in my State and detect the difference that ARC programs have made in the lives of people, on the quality of life in the various communities there, and the various systems that are part of the infrastructure of the region. It is national resource sharing at its finest. It has identified an area of this country that, for whatever reasons, historically and economically the people have not had an equal shot with people in other areas of this country. The key that I regard as most important in this process of continuing on an orderly basis at least for a phase-out period of the ARC program is the development of a level of self-sufficiency that will enable these people to be able to live on parity with people in more favored areas of the country.

Now there is a national point of view involved here, there is a national economic interest. In my State, which happens to represent the State with the lowest per capita income of any State in the country, we are still at just 69 percent of the national per capita income level in the whole State, but in my State 34 of the 82 counties still have as their largest single source of income, not income from agriculture and not income from manufacturing sources, but in 34 counties of the 82 counties, in the State of Mississippi the largest single source of income is transfer payments, welfare payments of one kind or another. Now before the advent of the Appalachian Regional Commission programs that affected 20 of those 82 counties, a significant number of those counties in the ARC area had as their largest single source of income welfare payments, transfer payments. Now that number is down to 3 counties in those 20. The counties outside the 20 counties of the ARC region in Mississippi have had a 43-percent larger increase in aid for families with dependent children than have the counties in the ARC region.

Now, what we are seeing here as a result of this innovative, creative, imaginative program has been the attainment of a level of self-sufficiency that now enables the people that live in that one-time most depressed region of my State the opportunity of achieving a level of economic parity that from the standpoint of the national interest is resulting in their being able to carry their share of the load and to pay taxes and to contribute to the national welfare. It would not have been done, Mr. Chairman, I assure you, I assure you as one who comes from that region, it would not have been done had it not been for this program, which I hope at this very critical juncture will not be abruptly terminated, but that it will be phased into the kind of assumption of responsibility that most of us in States like Tennessee and Mississippi hopefully are going to be able to achieve, as we assume more responsibility at the local level. But this process is ongoing and it cannot be terminated abruptly without doing grave damage not only to the economic interests of the people, but more importantly than that to the spiritual feelings of the people that, having been lifted up and given a chance, that they not be abruptly dropped back down to a situation where hopelessness takes over and they do not realize those hopes and aspirations that have been created for so many of them.

I tell you that this is one program, and I agree wholeheartedly with my fellow Governor and I think this opinion is shared by all our colleagues in the Appalachian region, this is an issue that transcends section, it is a unified position that I think every single Governor has taken, that this is a program that needs to be sustained at least to permit us an orderly phase out in a way that will preserve the great benefits that have accrued to the people of the region and that will continue to give hope to those people who live there.

Senator RANDOLPH. Thank you very much, Governor. You have spoken with vigor and with understanding, and there are no compliments needed from me except to say, I know what you are saying is true, it is across Appalachia, and I commend you for being present.

Senator Stafford, do you have questions?

Senator STAFFORD. Mr. Chairman, out of respect for the fact I know the Governors have another commitment, I will say first that I am impressed by what you have said. Second, I do have two or three questions. Rather than posing them, if it is agreeable, I will send them to you in writing for your response at your early convenience, to be made a part of the record. If that would be agreeable, we will go that way.

Thank you very much.

Senator RANDOLPH. Thank you, Mr. Chairman.

In the interest of time, questions that I have prepared for answering by the Governors and others that perhaps may be heard, we will provide those in writing and ask you to respond in writing if it is agreeable.

Governor Winter. I would be very pleased to do so.

Senator RANDOLPH. I know the 2 o'clock deadline is here. We thank you for your testimony. It is not a pleasantry, it is truism, when I say to you, thank you, gentlemen, for being present today, for speaking effectively and positively for a program we consider, many of us in the Senate, and the House, and throughout the country, desirable and very worthwhile. Thank you very much.

Senator Byrd is en route to the hearing, and we will proceed with Senator Byrd as our next witness and then we will come to other witnesses.

Without objection, as a part of the hearing record, we will include the report to the Congress from the Appalachian Governors, and that will be made a part of the record. [See p. 113.]

For the record, following Senator Byrd's testimony we will hear from Dwayne Yost, executive director of the Kentucky Mountain Housing Development Corp.; Dr. Maureen A. Flannery, of Ary, Ky.; Judge Casto H. Knepp, of Jamestown, Tenn.; Daniel Gilchrist, of Bonner Fiberboard Co., Wellsburg, W. Va. And then we will have testimony from Charles Miller, the State highway commissioner for West Virginia.

Senator Byrd has been detained, understandably, and will come to the hearing and testify as soon as possible. So that we move ahead, will those that I have called, Dwayne Yost, Dr. Flannery, Judge Knepp and Mr. Gilchrist, would you all come to the table please.

Mr. Yost, we will have you lead off with our panel.

STATEMENTS OF DWAYNE YOST, EXECUTIVE DIRECTOR, KENTUCKY MOUNTAIN HOUSING DEVELOPMENT CORP., MANCHESTER, KY., MAUREEN A. FLANNERY, M.D., ARY, KY., JUDGE CASTO H. KNEPP, FENTRESS COUNTY, JAMESTOWN, TENN., AND DANIEL GILCHRIST, MANAGER, MANUFACTURING SERVICE, BONNER FIBERBOARD CO., WELLSBURG, W. VA.

Mr. YOST. Thank you, Senator Randolph.

I am Dwayne Yost from Manchester, Ky. I am executive director of the Kentucky Mountain Housing Development Corp.

I speak as one who has lived in one of the five poorest counties of central Appalachia for more than 20 years. As most of you will

detect, I am not a native of Appalachia, but I have lived there for the last 22 years with my family.

Conditions in Appalachia were almost desperate when we first saw ourselves living in Clay County, but we have seen a lot of improvements: narrow dirt roads have been replaced by modern blacktop roads; one-room elementary schools have been replaced by consolidated schools; scattered health clinics have been replaced by modern hospitals; substandard houses have been replaced by modern homes and repaired to be more decent.

All of this has helped, and ARC has had a big part in helping to make many of these improvements. But if we are going to be honest and tell the whole truth, we also need to admit that there still are a lot of problems in Appalachia.

Central Appalachia is one of the richest and yet one of the poorest areas in our country. If we look at the whole region, more than 35 percent of the people live on incomes below $4,000 a year. More than 40 percent of all housing is still considered to be substandard.

Finding ways to produce housing in 1982 is not easy anyplace. Housing costs are soaring out of reach for everyone. But in central Appalachia, where 80 percent of all land is over 15-degree slope, where more than 50 percent of the land in some counties is owned by outside corporations or by the U.S. Forest Service, finding ways to produce housing is even more difficult than usual.

Rural areas like central Appalachia often lack the private entrepreneurial housing activity that is found in the cities and suburbs. This is due to the absence of builders, developers, architects, and commercial lending institutions which are required for an active housing industry. The lack of private sector activity results in the need for more help from the public sector, from groups like ARC, the Community Services Administration, the Department of Labor, Farmers Home Administration, and others. However, rural areas often lack the public and nonprofit delivery mechanisms. Geographic distances, lack of program knowledge and difficult topography all combine to inhibit the development of basic community services such as roads and water and sewer facilities, the kinds of things which ARC has been so helpful in giving us.

To be more specific, in two counties of southeastern Kentucky where I live and work, Clay and Jackson Counties, 65 percent of all housing is officially substandard. Only one out of three families have running water or indoor plumbing. According to a study that was made by the Cumberland Valley Development District, only 29 percent of all these substandard houses were suitable for rehabilitation. That leaves an immediate need of 4,707 housing units in these two counties alone.

In response to this kind of need, Kentucky Mountain Housing Development Corp., of which I am the executive director, was one of the first of 10 different nonprofit housing corporations that have been started in central Appalachia in an effort to help low-income families get better housing. Altogether, these groups have built more than 250 new houses, have been making repairs on more than a thousand others. As one of these groups, Kentucky Mountain Housing has built 120 new houses since 1973 for low-income families who had an average family income of less than $5,500 per year, and we have made major repairs on more than 100 others

who had an average income of less than $3,500 per year, not to mention the fact we have been able to provide 42 full-time jobs and we have had a payroll of more than $400,000 a year, that we have been able to stimulate our local economy by spending more than $900,000 a year on building materials and salaries.

I wish I could show you some pictures of some of the before and after conditions of some of these houses where some of these families have needed to live. Maybe I could give you just one or two quick examples.

I think of a widow lady named Martha Collins. She is an elderly person, more than 60 years old. When she came to us requesting our help she lived in a house that was completely unfit to live in. Not only was the house more than 18 inches off level with the floor falling through, but she had said that she heard strange noises in her house when she slept at night, only to find out when we tore down her old house that the walls were full of snake skins. This is one of many examples.

There is another family I think of who had six in the family. The house they had to live in was just one room. It is what they called home, but there was nothing except just rough lumber around the sides of this building. There was no wall on the inside. There was no siding on the outside, no insulation, not even any plastic. The mother told us how many times in the wintertime she would wake up at night and find the children's hair full of frost and snow.

These are true-life examples of families that have come to us and that we have tried to respond to. We could go on and on. But the most important thing that I hope you remember from all these comments I am trying to make is that none of this work could have happened without a great deal of help from many different agencies like ARC, like Farmers Home Administration, like Kentucky Mountain Housing, like many different churches and individuals.

From ARC alone we have received more than $100,000 during the past 3 years that has been used to help cover the cost of site development on 44 new houses and 24 major rehabs. This money has been used to drill wells and install septic systems and to do dozer work. More recently, ARC has also approved the expenditure of $99,300 to be used to help us develop a 38-lot subdivision in Clay County

Some of you may wonder what does it cost to build one of these houses like we are describing here. In 1980 and 1981, the average cost of new houses we built came to $31,761. That is not a lot given what you are probably aware of from your community. There is no cheap way to build a good house. The difference is the average family in our community was only able to get a loan of $20,000, and so who was going to pay the difference. There had to be $11,293 in subsidy from someplace. Well, where did it come from? In the houses we built, $5,645 for each house came from the Department of Labor in the form of CETA labor. That was the money that made it possible for us to provide jobs for these workers and help them to get off welfare and food stamps and learn skills.

Once again I could give you example after example of some of these CETA workers who turned out to be foremen, electricians, drywallers, and other skilled people—$2,343 for each house came

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from ARC, and this was used to drill wells and install septic systems.

Another amount of $1,746 for each house came from Farmers Home for technical and supervisory assistance under their 525 program—$1,296 came from CSA in the form of administrative support.

This may sound like a lot of subsidy to give one family to help them get a house of their own. But are we all aware of the fact the Housing Assistance Council has not long ago done a study that found it costs more than $3,800 to keep one family in a rental unit for 1 year, and if we have a family in a unit for 3 years it is going to cost $11,400, and if they stay in it for the life expectancy of the rental unit, 40 years, $152,000 for one unit. What does the family have left to show for themselves?

Even more important than this discussion there is another question that I want to just raise briefly, and that is who gets the benefit from Federal housing subsidies?

The tragic myth that the Government spends millions and billions of dollars in subsidies for low income people to get better housing each year needs to be laid to rest. Billions have been spent from tax revenues for housing, but not for the poor. The largest aggregate of Federal housing subsidies is granted indirectly through income tax deductions which many of us enjoy. The principal deduction is for interest on mortgages which can be claimed by all homeowners. The National Low Income Housing Coalition estimates that for fiscal year 1981 alone only $4.2 billion, or 14 percent, of all Federal direct and indirect housing expenditures will be used to aid people who have incomes below $5,000 a year; another $4.5 billion, or 14.7 percent, will aid those with incomes between $5,000 and $20,000. Conversely, $21.2 billion, or 71.2 percent, of all assisted and indirect housing expenditures made by our Government during 1981 will aid people with incomes over $20,000 a year.

So once again I ask who gets the benefit from our Federal housing money?

Needless to say, I think our Federal Government needs to make more dollars available to agencies like ARC and other agencies who are committed to help low income and moderate income families get better housing, especially those who have income below 50 percent of the median—dollars that can be used to help cover the cost of site development to provide safe drinking water, to install waste disposal systems, to build roads; dollars that can be used to finance simple, but yet adequate, houses which low-income families can afford; dollars that can be used to help develop on-the-job training programs which will not only help low-income people get better housing but also help them learn carpentry skills and other skills.

When dollars for the above components have been available, Kentucky Mountain Housing and other nonprofits have been able to show something can be done to help low-income families get better housing. But if the Federal Government continues to phase out every agency that has been supporting the construction of low-income housing, such as ARC, Department of Labor and Farmers Home, housing conditions in central Appalachia will only continue to get worse, especially for the poor.

Thank you.

Senator RANDOLPH. Thank you very much, Mr. Yost.

As the Appalachian program is closed, what happens to the housing development that you have been discussing?

Mr. YOST. Well, it certainly is going to be most difficult for us to continue providing housing for the family who needs housing the worst, because it has been ARC support that has made it possible to help us cover the cost of drilling the wells and putting in septic systems and doing the dozer work. Somebody has to pay for that. What it is going to mean is the families who need the housing the worst aren't going to be able to have it. In other words, they are going to have to stay in their one- and two-room shacks. They are going to have to stay where they are because there isn't going to be any way for us to cover the cost.

Senator RANDOLPH. Mr. Yost, I am impressed by your testimony. What you are saying about the area you have discussed, that is rather general throughout other sections other than just the one you are familiar with.

Mr. YOST. I am chairman of a housing federation that covers parts of Kentucky, West Virginia, Tennessee, and Virginia. We work with more than a dozen different housing groups trying to do the same thing in these four States. Yes, there are similar needs in all four States we are working in. I am sure that is true in others. In Tennessee, Kentucky, West Virginia, and Virginia these needs are very much present.

Senator RANDOLPH. Thank you very much.

Off the record.

[Discussion off the record.]

Senator RANDOLPH. Our hearing will resume with the statement of Robert C. Byrd, who is well known on Capitol Hill. He is one of those few persons in the 193-year history of the Congress who has served in the capacity as majority leader and minority leader, but for me I never differentiate. When the original legislation which came from this committee was offered to the Senate, one of the cosponsors of that legislation was Senator Byrd of West Virginia. He has been with us, a part of us, from the very beginning in 1965.

We know your busy schedule, Senator Byrd. I personally and members of the committee and subcommittee are grateful for your attendance, and we shall hear your testimony at this time.

STATEMENT OF HON. ROBERT C. BYRD, U.S. SENATOR FROM THE STATE OF WEST VIRGINIA

Senator BYRD. Thank you, Mr. Chairman.

Mr. Chairman, I am glad to appear before this committee. This committee has done so much over the years to lay a solid foundation, solid infrastructure for industrial and economic progress, and we in the State of West Virginia know very well the benefits that have been derived from this wise legislation. It has helped us to develop the kind of infrastructure that is so needed to open up our great State so that the people of the country know ours is a State of enormous resources and very proud and hard-working people.

I particularly commend you, Senator Randolph, for the record of bipartisan cooperation that you have built up over the years that

you served as the chairman of the Committee on Environment and Public Works. You were a very dedicated chairman, a very effective chairman, and I always found it a genuine pleasure to work with you when you brought measures to the floor of the Senate to shepherd them through the Senate.

I commend your successor, the chairman, Senator Robert Stafford, who has always been very cooperative and understanding of the problems not only in his State and ours but other States in the Union. I commend the members of the committee for their continued cooperation across party lines to bring a strong national economy.

The bill you have introduced, Senator Randolph, S. 2144, is in itself a fine product of the kind of cooperation that I have mentioned. This bill to provide the transition period for the Appalachian Regional Commission implements a proposal that the Appalachian Governors—Democrats and Republicans alike—have submitted to the Congress.

The Appalachian Regional Commission is extremely important to our State of West Virginia. Over the years since the Commission was created, West Virginia has received more than three-quarters of a billion dollars—$767 million—to build highways and other public facilities to promote job training and better health care and to launch other development projects that are helping the people of West Virginia in their efforts to build a strong economy.

The ARC transition program that the Governors have proposed and that your bill would implement means much to West Virginia. S. 2144 would provide $412 million over the transition period to finish the job that has been begun.

The Bureau of Labor Statistics reports in January of this year unemployment in West Virginia was 13 percent, making it the fourth highest among the 50 States of the Union. It makes no sense to me to eliminate the important economic development programs of the Appalachian Regional Commission when unemployment in West Virginia and in many of the States throughout the Appalachian region and outside the Appalachian region—because the ripple effects of this program in Appalachia reach out to all of the States and are beneficial to State that do not come within the purview of the act itself—but it makes no sense to eliminate this kind of program when unemployment is so high in West Virginia, is very near the highest level since the 1930's.

Beyond West Virginia and the other 12 Appalachian States, this transition program for the Appalachian Regional Commission, in the tradition of the legislation that has come from this committee over the years, is in the national interest. In a nation desperately in need of jobs—9.5 million people out of work—your program is specifically designed to create jobs.

S. 2144 is a bare bone proposal agreed to by Appalachian Governors, and it reflects a drastic cutback in the ARC program. It is in keeping with concerted efforts being made to balance the Federal budget. But even so, it is vitally important to the Appalachian region that this measure be passed.

For these reasons I support the legislation, and I will work with you in urging our Senate colleagues to support it in order to provide a transition period for the ARC. Overall, S. 2144 will give us a

sound, frugal program that is in the national interest and that Democrats and Republicans alike can support.

I thank you.

Senator RANDOLPH. Thank you very much, Senator Byrd.

You are an active sponsor of the pending legislation, and as I mentioned earlier before you gave your helpful statement you were one of those who stood with others as we initiated this program.

I am wondering if you could remain with us perhaps for 1 or 2 minutes? I know the schedule that you have and am understanding of it.

I do not refer to politics per se or campaign per se, but during the past several months, as in the past, you have been in West Virginia, and what do you sense is the feeling of our people in all sections of West Virginia, because we are the one State embraced in the Appalachian program in its entirety? What are the expressions, Senator, that you have from people about this effort?

Senator BYRD. Mr. Chairman, in the last 53 weeks—and there are 52 weeks in a year—in the last 53 weeks, I have been in West Virginia 49 weekends and upon several occasions midway through the week. I have visited each of the 55 counties in West Virginia last year, made 186 public appearances, which is on the average of one every 2 days. I have visited the Weirton Steel Plant in Weirton, which has cut off 2,600 men and which is threatened with a complete shutdown of that facility and the unemployment of an additional 8,500 men by the end of this year. Now the loss of 12,000 jobs in Weirton would be devastating to that community. It will not only touch that community but will touch scores of thousands of other people besides the 12,000 employees who are directly affected.

You will recall that you and I joined together in putting together an economic package for Wheeling-Pittsburgh Steel a couple years ago. We did that because we had Federal programs such as the Economic Development Administration program, the Farmers Home Administration which we were able to put together $150 million in loan guarantees to help Wheeling-Pittsburgh Steel.

What we are seeing in Weirton we are seeing in many places and other areas, and to disgress a moment, it is partially because of the fact that some of our trading partners subsidize their own steel industries to the point our steel industries can't compete with the steel industries that import steel into this country to the tune now of 25 percent of the steel that is used in this country.

Kaiser Aluminum has put off 1,500 people in Ravenswood. The Brockway Glass Plant in Clarksburg has lost 550 jobs since last December. Ingersoll-Rand, which employs 250 persons in Clarksburg, is going to reduce the plant force there down to 50.

These are just a few acute examples, and when steel hurts, coal suffers.

So all over the State, in answer to your question, the biggest concern is unemployment and the recession, high interest rates. People are concerned about jobs. They are not concerned about handouts. They want to work. We have a very hardy and hard-working people in West Virginia. They are concerned about jobs.

A program such as Appalachian Regional Commission, UDAG, urban development action grants, Economic Development Administration, Farmers Home Administration, these are programs which

do not constitute waste and fraud and abuse. They are programs that are beneficial to people, that give, that make it possible for towns like Lewisburg to have decent water, that make it possible for industries like Brockway Glass to continue to work. Anchor Hocking, as you know, took over Brockway Glass because we were able to use these Federal programs to put a package together that enabled Anchor Hocking to come up and rejuvenate the plant and keep it open.

These programs have more than paid for themselves in that people have been given jobs, they have paid taxes, they haven't been a drain on the Treasury revenues through unemployment compensation and welfare. All over West Virginia in those 55 counties one can look at facilities, sewer facilities, water facilities, access roads, airport improvements, community facilities, library facilities, and so on, that have been made possible by programs like these, EDA, Farmers Home Administration, Small Business Administration, UDAG, Appalachian Regional Commission.

So it is with a great deal of sorrow that I perceive under this administration the phase-out of programs like EDA and Farmers Home, cutbacks in UDAG programs, the termination of the nonhighway portion of the Appalachian Regional Commission, and ultimately the phase-out of the highway portion of the Appalachian Regional Commission, where they are programs that pay for themselves, that help people to enjoy a better way of life and contribute to jobs and utilization of the talents of a hard-working, dedicated, patriotic people like ours, and like those in other States that are affected by this program. I don't look upon those programs as being waste, fraud, and abuse. I look on them as contributing to the health of this country and the steel industry of this country. If the steel industry of this country keeps slipping, we aren't going to be able to produce the steel we need if we get into a period of mobilization. How we will produce the tanks and guns and ships we need?

So I reiterate in answer to your question, I find that people everywhere in West Virginia are concerned about jobs and unemployment and about the general recession. We sold 52,000 domestically-produced automobiles in West Virginia in 1980. Last year we sold 48,000, a drop of 9.5 percent.

Senator RANDOLPH. From the purchase of new cars?

Senator BYRD. Domestically-produced cars. So 52,000 in 1980, it dropped 9.5 percent to 48,000 in 1981. The number of homes completed dropped from 6,000 to 4,000 between 1980 and 1981. The number of domestically-produced light-duty trucks dropped 18 percent in 1980 and 1981. We are going to see the effect of the phase-out, and we are already seeing the effects. We could do something about Weirton Steel if we still had those programs where we could put together the kind of economic programs, we might be able to help Weirton Steel and some of the other industries there. Perhaps we could. Perhaps we couldn't. But we have done it in the past.

Our people, as I am sure the people of other States, are vitally concerned about jobs and programs like this that produce the infrastructure—the airports, the roads, the water and sewer facilities—that have to be had if industry is expected to come into an area or to stay in an area.

So, Mr. Chairman, I congratulate you on introducing the bill. I appreciate your inviting me to be heard. I want to make whatever contribution I can to the passing of this legislation because the benefits from it will go well beyond the costs of it.

Senator RANDOLPH. Thank you very much, Senator Byrd, for coming here this afternoon, for contributing factual and, in a sense, inspirational information that helps us at a time when some might say our heads are unbowed, we are standing together and looking upward. I thank you very, very much.

Senator BYRD. Thank you.

Senator RANDOLPH. Now would the panel return please.

You will understand that as chairman I want to be very cooperative with you. If you desire to give the essence of your statement and then have the statement printed in full in the record, that can be done. We want to be fully cooperative. I do not want you to feel that I do not want to hear your entire statement. So we will proceed at this time with Dr. Flannery. Would you be next please.

Dr. FLANNERY. Thank you.

Senator RANDOLPH. Where is Ary?

STATEMENT OF DR. MAUREEN FLANNERY

Dr. FLANNERY. It is in Perry County about half an hour drive from Hazard.

Senator RANDOLPH. What is the meaning of that word?

Dr. FLANNERY. I don't know. The building right in front of the clinic used to be a smaller one called Troublesome, right on Troublesome Creek, and Ary is a little way down the road. I don't know where it came from.

Senator RANDOLPH. It is a troublesome area.

Dr. FLANNERY. I am a family physician. I was born in Harlan County, Ky. My parents migrated from Appalachia while I was young, and I attended school in New England. After completing my residency in northern Illinois, I returned to the mountains in 1979, practicing first in Letcher County and now at Homeplace Clinic in Ary, Ky. My husband, small son, and I reside near Hindman in Knott County.

In addition to my practice, I serve as cochair of the Rural Health Committee of the National Women's Health Network, the only national membership organization devoted entirely to women's health concerns. I also chair the Women's Health Task Force of Appalachian Health Providers, an organization of health professionals working in community-based clinics in Central Appalachia which has as one of its main goals advocacy for better health care in the region.

The Homeplace Clinic is one of four outpatient health facilities of family health services of the Appalachian regional hospitals. Homeplace Clinic also received funding from several Federal rural health programs until last spring, when Federal budget cuts eliminated our last grants.

Now my partner and I are struggling to make our clinic self-sufficient, but we often seem to be fighting a losing battle. We sometimes question whether it is possible to provide complete primary care services, including laboratory, X-ray and pharmacy, to low

income residents of isolated portions of three counties without mounting deficits. Yet our committed community board and our many patients convince us that Homeplace is filling a real need. As we make the difficult transition from partial subsidy to self-sufficiency, the Appalachian regional hospitals are providing the support we need to maintain services.

I thought of the Appalachian Regional Commission's goal of making primary care services available within 30 minutes' driving distance of all Appalachians during the recent bitter winter when our clinic staff was discussing what we should do in the event of the blizzard predicted for our area the next day. Although a health planner would say that it is not cost effective for our clinic to be open to see only three or four patients on a snowy day, one of our long-time staff members pointed out, "If you have a sick baby up one of these hollers, Homeplace sure is a lot close than Hazard Hospital." Indeed, on ice-covered roads, it might easily take one of our families several hours to get to the nearest health facility. With mountain roads what they are, the proximity of basic health services is not just a convenience; it can be a matter of life or death. So Homeplace Clinic did open that day, staffed with whoever on our staff could get in. And although we treated no life-threatening emergencies, the few patients who braved the weather to come to the clinic were genuinely grateful that we were there.

Within Perry and Knott Counties, there are a number of scattered primary care centers like Homeplace, many of them built at least in part with ARC funds. In these two counties, ARC has essentially met its goal of bringing basic health services available to the people, although we still have chronic problems with recruitment and retention of health providers to staff our clinics. Just to the north of us, however, are Owsley and Wolfe Counties, two counties which lack any basic health care services for their residents. I am familiar with the efforts those two counties have already made to obtain health facilities and providers. I am convinced that it will take both money and technical assistance of the sort that ARC has provided elsewhere if basic services are to be brought within the reach of the people of isolated parts of the region like Wolfe and Owsley Counties.

One of the major goals of ARC's health program, particularly during the past 10 years, has been to reduce infant mortality in the region. The infant mortality rate correlates with the overall health status of a population. It is a traditional measure of unmet health needs. It is important to place this epidemiological measure in a human framework, to realize the actual meaning of that statistic for Appalachian women's lives: the grief of dealing with the deaths of infants they have carried, as well as the depression and sense of powerlessness that comes from the experience of infant death.

Despite dramatic improvements in health care in the region as a whole, it is appalling that there remain 32 counties in Appalachia with infant mortality rates 50 percent higher than the national average. Several of these Kentucky counties still have no prenatal care available, even by district health department satellites or circuit-riding physicians. The ARC program to reduce infant mortality in these counties focuses, appropriately, on prevention as well as provision of services. As a provider of prenatal care at our local

health department, I am constantly impressed with how much easier and more cost effective it is to prevent high-risk complications of pregnancy than to treat them when they arise; and when they do occur, to provide intensive treatment for the mother prior to birth rather than to care for a high-risk infant afterward. It is a good case of "the earlier the better." Especially important are communitywide education campaigns which reach teenagers prior to conception and certainly before they present for prenatal care, emphasizing the risks of smoking—Kentucky has the second highest tobacco consumption per capita in the Nation—inadequate diet, caffeine—eastern Kentuckians drink more soft drinks than anywhere else in the United States—X-rays and drugs in pregnancy, and the need for early prenatal care. Also effective are prenatal programs to identify and eliminate risk factors early in pregnancy. With Federal cutbacks in maternal and infant care programs and State cutbacks in health department funding, it is unlikely that the 32 Appalachian counties with excess infant mortality will be able to develop programs like these without ARC assistance.

It is important to realize exactly what a high-risk pregnancy means for a family in southeastern Kentucky. Often it means that the baby is whisked away immediately after birth, usually before either mother or father have had a chance to see their baby, to the nearest neonatal high-risk unit with a bassinet available—Lexington if they are lucky, or Louisville, Cincinnati, Knoxville, or Huntington. It means weeks, maybe months, of separation of the baby and the family, long-distance calls to check on the infant's condition, costly drives to and from the hospital for brief visits with the infant. It means enormous medical bills. And if the infant survives, it means countless trips to and from a tertiary care center for followup visits, for many of these babies are left with a disability that requires continuing care.

As an example, the daughter of one of our Knott County Health Department patients, born in September with a myleomeningocele—hole in the spine—came home from the University of Kentucky Hopsital just before Christmas. Her teenage parents are well over $10,000 in debt from her medical bills.

Senator RANDOLPH. Teenage parents did you say?

Dr. FLANNERY. Yes.

Senator RANDOLPH. The father and mother are teenagers.

Dr. FLANNERY. They are both teenagers and they have a daughter with a disability that requires them to go to the Shriners Hospital in Lexington, which is a good 3½-hour drive, every week for her care, in addition to the medical bills from her original illness.

Senator RANDOLPH. How far to medical attention from their home?

Dr. FLANNERY. It is 3½ hours to Lexington. A child with this kind of disability cannot really be cared for without a whole team of specialists, and that is not available within eastern Kentucky. It requires going to a university center, in this case Lexington.

Senator RANDOLPH. What do you do in a case like that? You are a doctor.

Dr. FLANNERY. We do what we can in terms of continuing care there, but we certainly don't have a specialist. This child needs a team of pediatric neurologists and neurovascular specialists. It is

probably going to require a number of operative procedures before she is a year old. There is nothing available in the region before this point. Although we can certainly supply home services to help the parents deal with the catheters that she has, and all these are presently contingent on Federal funding because they are not reimbursable services. We can provide a physical therapist to go to the home to exercise the limbs, because there is paralysis. Those sorts of things we can provide. Some of that I am not sure will ever be available within a very rural area.

Senator RANDOLPH. Thank you.

Dr. FLANNERY. In addition to providing aid to counties with inadequate primary care and high infant mortality rates, the ARC finishup health program includes a regionwide effort to attract qualified health professionals to shortage areas in Appalachia. Appalachian communities have been plagued not only with inadequate numbers of health providers, but also with an alarming turnover rate among health professionals who practice in the region. The transitory nature of physicians' commitments to Appalachia is a constant headache for clinic administrators. It is also a source of considerable concern for patients who barely develop rapport with a physician when he or she up and leaves. Such discontinuity in providers cannot help but adversely affect the quality of health care in the region.

Why have Appalachian communities had problems with health provider attrition? There have simply not existed in most communities in the region the sorts of conditions—schools, water supply, recreation and culture—to induce physicians to settle down, raise their families, and commit themselves to a long stay. Overall economic development of the kind which ARC has fostered certainly helps make the region more attractive to physicians and other professionals. Raising the quality of health services in the area makes medical practice less draining and more fulfilling. Overcoming the isolation, personal and professional, which physicians feel practicing and living in small rural communities helps communities attract and keep qualified health professionals. Appalachian Health Providers, for instance, serves as a regional support group, a forum for health workers in the region to share common problems, experiences, solutions. Strengthening that group and fostering the formation of similar organizations in other parts of the region might be one approach to retention. With cutbacks in Federal and State health programs like the National Health Service Corps which required and encouraged physicians and allied health professionals to practice in rural shortage areas, it is especially important that needy communities in Appalachian have assistance in developing strategies for recruitment and retention of the professionals they need to provide basic health services for their residents.

Several other components of the ARC finishup program would have a definite impact on the health status of Appalachians. It is an adage in public health that the development of sanitation, more than the discovery of antibiotics, led to the dramatic reduction in infectious diseases in the early 20th century. ARC's proposal to aid 60 distressed counties in the region to develop adequate waste disposal and drinking water systems will have an important positive effect on the health status of residents of those counties. I live in

one of the "distressed counties," and I know what it is like to have to cart your garbage over an hour to the nearest landfill. Ours is that far away, clear over on the other side of Perry County. No wonder so many of my neighbors just dump theirs in the Troublesome Creek. I know what it means, after drilling three wells, still to have to boil all our drinking and cooking water. At Homeplace Clinic, we see cases of pediatric diarrhea related to contaminated water. And with the Federal cutbacks in food stamps and women, infants, and children funds, I fear that more and more Appalachian women will be forced to dilute their infants' formula with contaminated water, with all the third world consequences of pediatric disease and increased infant mortality. With coal severance tax money now returning to Knott County, we may be able to provide some of these public services ourselves, although the technical assistance which ARC could provide on the basis of 17 years' experience in similar mountain communities would be quite useful. Most of the counties which ARC has identified as distressed, however, are not Kentucky coal counties; for them both matching funds and technical assistance will be necessary to bring safe drinking water and adequate solid waste disposal to their residents.

Another ARC program with a definite impact on health in the region is the highway program. I have never been a particular fan of superhighways myself, generally preferring winding backroads, but since my return to Appalachia I have been impressed with the influence of the coming of the highways on the quality of life in the region. It is a lot easier to get health professionals to settle in Knott County now that, with the Mountain Parkway, Lexington, with its airport, restaurants, concerts, shopping malls, is only 3 hours away. The new highway connecting Hindman and Hazard means that my partner and I can have staff privileges at the nearest hospital, Hazard Appalachian Regional Hospital; before its construction we lived too far away to participate in the call schedule and respond promptly to emergencies. The availability of hospital staff privileges, made possible by the new highway, makes practice in Knott County more attractive to other physicians, because most doctors simply do not want a practice which has no hospital component. Even if the proposed regional medical center in Hazard comes about, a good number of patients from our area will continue to need to travel to university hospitals for specialized care; and for ambulance drivers and those patients' families, the new roads are very important. The baby with myleomeningocele, whom you asked about, must go to the Shriners' Hospital in Lexington once a week. Her family must be there at 8 a.m. and be prepared to stay all day. That means her family leaves their Knott County holler every Wednesday morning at 4:30 a.m. Before the completion of the Mountain Parkway, it would have been a lot worse.

In summary, I believe that the ARC finishup health plan outlined in the report to Congress from the Appalachian Governors is important and desperately needed by the residents of Appalachia. I also believe that the distressed counties and the highway finishup program will have significant positive impacts on health status in the region.

In considering how best to reach the goals which the ARC report sets in the area of health, I think that it is important for Congress

to ask two additional questions: Is the ARC finishup health program realistic? Is ARC the appropriate agency to accomplish the plan?

The first question is really can it be done? Can any agency make a significant impact on primary care services, infant mortality, and physician availability in Appalachia in 3 years with a maximum of 50 percent funding for any one project? Although ARC could obviously accomplish more, given more time and money, history suggests that the plan is feasible. As a result of an ARC-funded program in northwest Georgia, infant mortality in a six-county area dropped from 16.7 percent to 9.6 percent over just 2 years. An infant care outreach project in Perry County, Ky., funded through Appalachian Regional Hospitals, was responsible for a drop from 37 to 12 percent in iron-deficiency anemia among 2-year-olds in 3 years of operation. Last June, ARC helped fund a large workshop on the health of women and children in Appalachia. ARC seed money amounted to less than 25 percent of the final conference budget. Out of the weekend gathering in Hindman, Ky., came 17 concrete proposals to improve women's health care in communities around the region. Most of the projects have now been funded from other sources. Although cutbacks in Federal funding may limit what ARC can accomplish in the next 3 years, the economic situation in the region makes it even more crucial that ARC funds remain available.

The final question Congress must ask is: Is ARC the appropriate agency to accomplish the goals outlined in the report, or could they be accomplished just as well by a combination of State and Federal health agencies? I hope that my examples have given you a sense of the complexity of the health problems in Appalachia, a complexity which defies most agency and program boundaries. State and local health departments must certainly be involved in the ARC finishup program, for it will be up to them to provide continuation, administration and funding. Yet given the limited funding which all these agencies face and given ARC's extensive experience over the past 17 years with health care in the region, utilizing the ARC's health staff seems like the most appropriate and efficient way to accomplish the health program's goals.

I urge you to recommend funding of the Appalachian Regional Commission so that it can use the next 3 to 5 years finishing up the program upon which it embarked in 1965. I am convinced that the premature death of the commission would put adequate health care even further out of reach of many Appalachian communities and have an adverse effect on the health status of the entire region.

Thank you.

Senator RANDOLPH. Thank you very much, Doctor.

According to reports I have read, we have in this country, a large number of doctors that are unutilized. Now in a situation like you discussed particularly in Kentucky, could or is the ARC health program attracting some of these doctors to the region?

Dr. FLANNERY. Doctors you mean who are in urban areas where there are too many of them, too many of one specialty?

Senator RANDOLPH. That is right.

Dr. FLANNERY. I think that added recruitment and retention is what is necessary to get those people. I think that has just been started. I think the key, the reasons that doctors settle in California and San Francisco and Boston, where there are way too many doctors for the population, is that those communities provide things that doctors, by virtue of their socialization and training, want. Therefore, I see economic development as a real key in providing a continuing supply of physicians in communities in the region.

Senator RANDOLPH. You have been giving us rather graphic descriptions that challenges me, and others I am sure, to think in terms of the level of health care necessary in Appalachia, and I think we have made some good starts. I know in West Virginia we have done so. In the region, do you feel that we now have in place, an adequate health delivery system to respond to unusal needs within Appalachia?

Dr. FLANNERY. I think we have the beginnings of that. I think in your opening remarks you said 85 percent of the counties in the region have some health care available within their boundaries, and that is certainly a beginning. The other 15 percent in many cases are going to require a lot more work than those first 85 percent because they are oftentimes isolated geographically, very mountainous and rugged, and it is going to take additional work to get them there. Those residents are often the ones most hurt by not having facilities available in their county because they have difficulty getting out. I feel it is certainly a beginning; a beginning is there. Talking with physicians who have practiced in the region much longer than I have, drastic changes have been made since 1965, and certainly in some parts of the region the health care system is adequate both in terms of facilities and staffing. But I would say in at least half the region either facilities or staffing, or both, remain inadequate.

Senator RANDOLPH. ARC is doing a job that needs to be continued; is that right?

Dr. FLANNERY. I think the job needs to be completed. I think it has been begun and it is going in the right direction, but it is not finished.

Senator RANDOLPH. Thank you very much, Doctor.

Judge Knepp, you are from Tennessee. I gave your name and your location earlier. Would you testify at this time?

STATEMENT OF CASTO H. KNEPP

Judge KNEPP. Thank you, Senator Randolph. I appreciate very much the opportunity to tesify at this hearing.

At first I would like to express my appreciation for all the Appalachian Regional Commission has done for us in the past. We have been fortunate to have a health program. We have received invaluable guidance and technical assistance from our local development district. We have received grant funds for health facilities, and most recently for an industrial park.

Second, I would like to congratulate the ARC staff for whoever conceived the idea to finish up the program.

Much remains to be done, and ARC capability is too valuable to scrap overnight. ARC has always had a relatively small, highly efficient staff which understands our kind of problems like no other agency in Washington.

We understand the need for phase-out, shutdown, balance the budget, new beginning, reducing spending, getting the Federal Government off the people's backs, et cetera. There is, however, such a thing as false economy. Overnight scrapping of ARC would be false economy.

Through the efforts of the ARC much of Appalachia, for the first time in decades, experienced increasing population, incomes, and employment. We have seen improvements in water and wastewater disposal systems, transportation, public facilities of all kinds, as well as such services as health and child development.

But the job is far from being finished. It may be selfish on my part, but I am especially interested in finishing up the distressed counties program.

The latest data available for infant mortality is 1979. In that year my county had the second highest rate in the State of Tennessee—24 infant deaths per 1,000 births. We desperately need continued assistance in trying to solve this problem.

According to the ARC list and the criteria used to complete it, Fentress County, Tenn., is the fifth poorest county in Appalachia. But according to the U.S. Bureau of Census, we are the poorest county in Tennessee, the 16th poorest county in the United States, and the 3d poorest in Appalachia. Unfortunately, we had the dubious honor of making the Irving Wallace Family's Book of Lists No. 2 so that all the world may know how poor we are.

Our per capita income in 1979 was $3,803, 52 percent of the State average and 43.3 percent of the national average.

According to the 1980 Census of Housing, 12 percent of the owner-occupied Fentress County homes lacked complete plumbing facilities—4½ times the State average and 8½ times the national average. The picture for renter-occupied units was even more dismal—32.4 percent lacked complete plumbing facilities. This was 5.88 times the State average and 9 times the national average.

Our 1978–80 unemployment rate was 12.73 percent, the fourth worst in Appalachian Tennessee, and 35 percent of our citizens are below the poverty level, the second worst in Appalachian Tennessee.

We have made some progress. Our per capita income growth over the 7 years 1974–81 has matched that of the State and the Nation. For 1978–79 we exceeded both the State and Nation by well over 2 percent. Our percentage of employment has grown over 11 percent since 1975. We have a new industrial park in Jamestown, an airport, schools, recreational facilities, adequated treated water, and a recently improved access road to the nearest interstate highway.

There is light at the end of the tunnel, but we need some help for a while longer, Senator. We need to improve our infant mortality rate. We need continued assistance of the local development district staffs. We need help to secure occupants for our new industrial park and thus provide additional much needed jobs and increased incomes.

One of our greatest needs is for the extension of potable water to additional areas of the rural county, water which could result in a reduction of the number of homes without plumbing and an overall increase in the number of desirable homes available.

We have most of the infrastructure in place, and we are on the verge of moving forward. On behalf of the folks in my county and all of those in other have-not counties throughout Appalachia, I urge you to support the 5-year area development finish-up program, and let ARC administer it for a change. Mandating that all ARC funds be administered through another older agency is like trying to win a race with an antelope tied to an elephant.

Again, Senator, thank you for hearing me out.

Senator RANDOLPH. Thank you very much, Judge Knepp.

Is it Judge in the sense used in Tennessee, like a county commissioner in West Virginia, or is there a judgeship involved?

Judge KNEPP. Mr. Chairman, we have two or three systems in Tennessee, and in 1982 they will all come under one system as county executive. In some counties in Tennessee you have a county administrator; other counties you have a county executive; some counties you have a county judge who is chairman of the county commission, serves as probate judge and in some cases juvenile judge for the county. So our system is varied.

Senator RANDOLPH. Is it unique?

Judge KNEPP. Probably is unique at this point in time, yes.

Senator RANDOLPH. I am not saying it is wrong, but I want just to have a clarification of the situation, only that I refer to being yesterday in the county of Upshur. That county, because of the alertness of the members of the commission, and I shall put their names in the record, the president of the county commissioners, Mr. Loud, I now take this moment to say how important it is, as I have learned it through the years, that county commissioners, to call them as we once did in West Virginia, members of the county court, but county commissioners, they need a good secretary, an individual who is alert, knowledgeable and can see the value of certain of these programs and apply them to the needs of the county in which that commissioner, that judge, that member of the county court sits. I refer to Bob Musselwhite. We are losing him now. He is going into North Carolina. But I think of the many successes that are due to his being on the job, looking for the opportunities to benefit that county through projects that I will not list at the moment except to say the most recent, the program in a detention center we dedicated yesterday afternoon. But just for the record I wanted to indicate that, as I study West Virginia, how important it is that we have on the job within a county working for and with the county commissioners someone of the type of Bob Musselwhite. He knew what the Federal programs were. He knew how to use them, how to propose them to the commissioners, how to sell them to the people, alerting men and women to the fact ARC could help here, that Farmers Home could help here, Economic Development Administration could help here. I am, just for the record, indicating again, as I do it very often, that some of the projects would never have come to being except through certain people who understand what is happening in Washington or in the State capital.

Very frankly, with no derogatory statement, I once knew of a county court where, if I was to write a letter, the letter went unopened for 1 month, only because the county court met once a month. They had no staff whatsoever and the county suffered, suffered very, very much, because of that condition.

So in your county you are working toqether, I presume. You have these problems. They are deep rooted. I can see that as I have studied what you have said. But you do have confidence in the future and you feel that ARC can help that future, a brighter, better future; is that correct?

Judge KNEPP. I certainly do, Mr. Chairman. Of course, over the years we have received, as I have alluded to before, cmnsiderable assistance and help from the development districts, and, of course, a part of their funding has come from ARC. Without the development districts in the area the States—I guess really what I am trying to say, we don't have the money, we don't have the expertise or we don't have the staff to do the things that the development districts do for a number of counties. We certainly need to keep those organizations intact. I would hope that there is other funding and other programs that we could use to maintain them at their current level so that we can receive the assistance that they provide for us.

Senator RANDOLPH. Thank you very much.

Mr. Gilchrist, I have spoken to you before and the organization that you represent and the company that you are here to speak for today. That is in Wellsburg.

Mr. GILCHRIST. That is correct.

Senator RANDOLPH. I know Wellsburg.

Mr. GILCHRIST. Thank you, and we know you, sir, we know you very well.

Senator RANDOLPH. You may testify at this time.

STATEMENT OF DANIEL L. GILCHRIST

Mr. GILCHRIST. Thank you very much, sir.

Good afternoon, Mr. Chairman, members of the committee. My name is Daniel L. Gilchrist. I am a lifelong Appalachian West Virginia businessman. I am president of the County Commission of Brooke County, W. Va., and a Republican candidate for reelection to that commission this fall.

Senator RANDOLPH. You mean you have no primary opposition?

Mr. GILCHRIST. No, sir, I don't, not at this time.

I am chairman of an Appalachian local development district, LDD, and I am a taxpayer. As such, I believe I have eminently qualified to speak to you in support of the Appalachian Governors' 5-year finish-up program for ARC.

I will emphasize the jobs and private investment portion of the area development program, but I am sympathetic to the distressed counties program and the health finish-up program. The latter two are necessary to provide counties with the most serious economic problems a basic level of primary health care services and necessary investments in public water and sewer systems. These were part of the original promise of the Appalachian Regional Commission program, and I don't believe that these distressed counties

should be denied minimum levels of the promised services simply because they were low priority or nongrowth centers. It is important that the Appalachian region, as well as the United States as a whole, realize that pockets of poverty and hopelessness are like moth holes in the fabric of society. They quickly and unexpectedly ravel and sometimes run great distances in the blink of an eye.

We in northern West Virginia support the completion program for Appalachian highways as well. Our principal economic transportation problem, the U.S. Route 22 bypass and bridge across the Ohio River, is not an Appalachian corridor. Yet it has received a small amount of ARC assistance to complete an environmental impact study. We know the heartache of a community held back by a poor transportation system. We support the elimination of as many gaps and the completion of as many coal-haul and industrial highways as possible within the limits of the 5-year period.

Many of you are aware that we in the Weirton, W. Va.-Steubenville, Ohio, area have a problem—one which threatens our economic life. National Steel Corp. has offered the Weirton Steel Division to its employees, with the intention that the division be purchased and operated under an employee stock option program, sometimes known as a direct buy-out. We know that the problem is one related to steel profitability and national economic disturbances. Each of these issues goes back to the basic problem—the lack of a viable market for steel products. We as a community, the employees and the citizens of the region, will buy Weirton Steel Division and operate it the best way we know how. We have no other choice. We can't expect that National Steel's financial crisis would disappear or that the spiraling cost of raw materials will soon diminish. Buying the division is like getting older. Although we may not like the process, it is better than the other alternative.

How can the jobs and private investment programs help Weirton Steel? Very simply—by helping to bring steel consumers closer to the Weirton production source. We are not seeking another General Motors assembly plant, although I should note the Volkswagen of America's new plant in New Stanton, Pa., uses Weirton steel products which are stamped in Charleston, W. Va. We know that in the past 10 years job growth has occurred primarily in new and expanding small industries. Our own example is Innovative Industries in New Cumberland, W. Va., a corporation created by two local residents and three investors from the Pittsburgh, Pa., area. Innovative manufactures mine roof support products. Innovative's employment has gone from a handful to over 180 employees. More development is promised, yet the water system of New Cumberland, W. Va., threatens serious trouble. A single well, decaying water lines, and low-fire flows are elements in any future expansion decision to be made by Innovative. To stabilize this situation, the Appalachian Regional Commission is providing a $300,000 supplemental grant to match Farmers Home Administration funds and local dollars to upgrade this city's community and industrial water supplies. The ARC program does promote new jobs.

I myself can speak to the issue of retaining jobs in a community. We in the Ohio River Valley have plenty of one resource of which all Appalachia can be proud—its abundant water supply. Some 32,000 gallons of processed water go into each tone of paper liner-

board. You see our product every day in corrigated containers. I brought one with me, Mr. Chairman.

Senator RANDOLPH. How many are employed in your firm?

Mr. GILCHRIST. Seventy, sir.

Senator RANDOLPH. How many 10 years ago?

Mr. GILCHRIST. Ten years ago 55.

Senator RANDOLPH. It has been rather stable.

Mr. GILCHRIST. It has, sir.

In 1972, Banner Fibreboard too had a serious problem. The problem revolved around treatment of wastewater. Banner Fibreboard, Eagle Manufacturing, Erskine Glass, and Genpak Corp.—formerly Mammoth Plastics Corp.—were prepared to pay the industrial cost of treating wastewater. Yet, because the community could not pay its local share for wastewater treatment facilities, Banner was being forced to choose between heavy government fines and other drastic alternatives. In 1973, the Appalachian Regional Commission provided a 5-percent supplement to an available wastewater development grant and the city of Wellsburg began to move on the project. Our corporation's 70 employees retained their jobs. Our $8 million annual gross sales continued to support the Appalachian and West Virginia economies.

Senators, these things must be repeated throughout our region, throughout Appalachian, if the economic and social improvement of the region is to continue. Jobs are its lifeblood, and without these new and continuing jobs the Appalachian Region could reverse all of the gains it has made in the past 15 years.

I am not demeaning Appalachia's coal and timber, but I remind you of my earlier statement that water is the key to Appalachia's—perhaps even America's—future. We have both water and fossil fuel resources in abundance. Yes, people now seem to want to concentrate in the warm, dry areas of this Nation. But we cannot continue to pay the transportation cost to move water and fuel to these desirable, warmer places. I submit that a national policy which emphasizes the Appalachian advantages and encourages job investment where fuel and water are cheaper will pay greater dividends in the end.

Can we do it alone? No. Local governments in my region have pledged $35,000 toward the Weirton Steel employee stock option purchase study. The Governor has pledged an additional $125,000. I am sorry, but that taps us dry. We will need an additional source of public development funds. You hold the key to one possible source in your hands today.

I am chairman of West Virginia's Regional XI Planning and Development Council, an Appalachian local development district, whose legislative status and whose staff have been invaluable in these economic assistance efforts. Only through the development district can the governments of our region provide public funds for the Weirton Steel purchase study.

Since 1973 the Regional Council of Governments has assisted through data gathering and maintenance, feasibility analysis, funds packaging and program administration for our two counties in West Virginia and Jefferson County in Ohio. We, the public officials, need the development skills of the regional council staff. The Appalachian Regional Commission's finish up program must in-

clude support for the local development districts while we build our own funding patterns towards assuming their support.

I am sure that each of you can hear in my testimony my belief that an ongoing Appalachian development program is a necessity. Yet, I agree with President Reagan that the Federal role of primary funder for the program must eventually come to an end. We differ only in our timing. I believe that a 5-year phaseout will make possible the development of a strong Appalachian Regional Foundation which, through private donations and investment of resources, can continue the Appalachian economic development job.

We are on our way. We have come up from beneath the bottom of the barrel. We may in 5 years approach the middle of American social and economic patterns. I urge you not to stop this vital work so close to its intended accomplishments.

I use myself as an example. I had a problem. I had a heart attack. The medical specialists brought me through, leaving me with medications and a limitation of things I could do. But they went a step further. They performed bypass surgery. Now I have been taken from the medication and my limitations and I am a viable and productive individual. And that is what we in Appalachia want to be—viable, productive individuals.

I invite your questions as a local public official, a businessman and local development district chairman. I welcome you, which I know you have been there, to the Steel Valley should you have the opportunity to visit our Appalachian home. And I do thank you, sir, for this opportunity to speak at this hearing.

Senator RANDOLPH. We thank you very much, Daniel, for coming and giving a personal documentation, which is reflective of, I am sure, many, many people of your area. I know Wellsburg. I know the Upper Ohio Valley as you know it, and it is in many ways an area of tne future. Most people think it is an area of the past, but I think that valley will have a good future with your type of understanding and leadership.

Mr. GILCHRIST. Thank you.

Senator RANDOLPH. You talk directly, and we are very grateful for your testimony.

Mr. GILCHRIST. Thank you.

Senator RANDOLPH. Charles Miller, please.

Mr. Miller, you heard Dr. Flannery.

STATEMENT OF CHARLES L. MILLER, COMMISSIONER, WEST VIRGINIA DEPARTMENT OF HIGHWAYS

Mr. MILLER. Yes, sir.

Senator RANDOLPH. I like what she said. She is a believer in highways and roads. She had never been enamored by them in an earlier period, but she realizes the fact of what that network of roads means to people who need medical treatment. The prophet Isaiah said, "A way shall be there for the redemption of his people." I could say, with no paraphrasing that would do damage to him, "The highways shall be there for the well-being of our people." That is very true.

Mr. MILLER. I agree.

Senator RANDOLPH. Thank you. Please begin.

Mr. MILLER. Thank you, Mr. Chairman.

Members of the committee, I am Charles Miller, commissioner of the West Virginia Department of Highways, and I appreciate the opportunity to appear before you to express my views regarding the Appalachian Regional Commission. I have taken the liberty of supplying the committee with a formal statement and will only comment briefly here to point out some of the high points of that particular formal paper.

More importantly, it is my purpose to provide you with information regarding the status of the Appalachian Regional Commission development highway program.

The progress achieved through the efforts of the ARC was well documented in a recent report submitted by the 13 Appalachian Governors to the Congress. The overall progress in terms of economic and social conditions in the region is significant. That progress is well documented by those parameters such as per capita income, education, housing, health, and community facilities, and the like.

Those statistical, Mr. Chairman, further demonstrate the job is not yet done. The Appalachian development highway system is one of the areas of greatest need to this region. It is through that improved transportation network, linking Appalachia to the rest of this country, that those variables called social and economic improvement can truly be most effective. It is through that specific subject that I would desire to direct my comments to this committee.

Philosophically, I believe that the test of any governmental program has to begin with the question is this program in the interest of the region served by that entity of government? Once that is answered, it becomes a matter of priority and ranking in terms of government's goals to meet its citizens' needs.

The Appalachian development highway system clearly meets that need. The Appalachian development highway system is a matter of national interest. The facts in that regard speak for themselves. Almost 200,000 square miles and one-tenth of this Nation's population cannot be excluded from the continued growth of the rest of the Nation. The Appalachian development highway system provides a linkup with the rest of our Nation.

Currently, the mileage of the Appalachian development highway system in West Virginia is 426 miles allocated, with 262 miles completed and open to traffic, or 65 percent. The change directly attributed to that portion of transportation improvement thus done during the last 16 years is highly significant. To enumerate just a few:

First, in terms of the travel time and accessibility, it has a very pronounced effect on industry's decision to locate in a given area. In a 1975 study of the impact of an improved transportation system to new plant locations shows that 56 percent of all new plants located in the region were within 10 minutes of an Appalachian corridor or other major expressway facility.

Second, in the area of highway traffic safety, the system as built currently, with current rates of traffic, result in 1,100 fewer accidents per year. Project those rates into the future and, assuming

completion of the Appalachian highway system, those accidents could be estimated to be 1,900 fewer accidents per year.

Another measure of the transportation impact as afforded to the Appalachian highway system is by outmigration. The outmigration in the Appalachian region and also in our State of West Virginia has been turned around in the last 20 years. During the 1950's the region lost one-eighth of the population in outmigration. In West Virginia alone, the period of 1960 through 1970 saw a 6.2-percent loss in population. Between 1970 and 1980, however, that trend had been reversed to the point that the population was advanced by some 10.7 percent. But more interesting, those counties contiguous to an Appalachian corridor highway system roadway, that population growth was 14 percent.

The ability to recognize the potential of energy development in terms of coal-haul roads is another major facet of the highway system.

The report submitted recently by the Appalachian Regional Commission to the Congress addresses the subject of a finish-up program. The outstanding need relative to that finish-up program can well be demonstrated by a review of the Appalachian highway system in our State of West Virginia. And to your right, Mr. Chairman, of course, is a map of the State of West Virginia showing corridors H, D, and G, those remaining uncompleted segments of the Appalachian corridors. Corridor H has 120 miles uncompleted, corridor G some 36 miles, and corridor D, in the Parkersburg area, some 4 to 7 miles depending on the line chosen.

A good example of the impact upon the Appalachian highway development system can be seen by taking a look at corridor G, as an example. Corridor G is depicted by the map to your right, and that map, shown in red, shows the gaps; blue shows the completed portion. Let's just take the part at Williamson in the southern part of the State. You notice the extension from the State of Kentucky into the State of West Virginia is depicted by the photograph to your left. The bridge in that photograph to your left, Mr. Chairman, is one that was completed and open to traffic this past fall, a four-lane divided facility. It culminates and ends at that rock cut to the upper part of the photograph. On the other side of that rock cut is old U.S. Route 52. Indicative of that particular type of roadway is the two-lane facility you see in the next photograph. That segment of roadway will not be completed to Appalachian standards if the finish-up program does not become a reality. Further up the road, one transitions again into a completed four-lane segment in Mingo County. Somewhat further along, one encounters the following size, indicating that the four-lane segment ends. This happens to be in the area of Logan. There are some 15 miles of Appalachian corridor G uncompleted, which will remain uncompleted without the finish-up program. Then it goes up to the Danville area, Boone County, W. Va., close to the town of Madison.

The photograph you now see on your left is indicative of the travel conditions there. That segment also will not be completed without the finish-up program.

The next segment is in Boone County, farther to the north, colored in blue, near the Boone/Lincoln County line and represents a completed segment, 9 miles open to traffic this past fall. It is shown

in the photograph to the left. Just immediately to its north is a project composed of three separate contracts. Mr. Chairman, those three contracts were awarded in 1978 and called for grading and draining of 5.4 miles of Appalachian corridor G. Purposefully the paving of those three construction projects was left out of the contract so as to take advantage of the later taking of bids when the petroleum industry would be more stable and thus not risk the rate of inflation and its gamble. Now we find these three projects are ready to pave, and now we find the allocation from the recent apportionment to the State of West Virginia under this year's level of funding is insufficient to fund that paving project. Thus, the status of that paving project clearly demonstrates the effect of uncertainty regarding the continuation of the Appalachian Regional Commission. Currently the obligation authorities based on the annual apportionment to our State does not provide sufficient funds for that project. Thus, the long planned sequence of the scheduling of this paving project is now in doubt. Obviously at this point the State of West Virginia must if it is to complete this segment and make it usable find some other source of funding in order to initiate that project this year. This will require a significant portion of West Virginia's regular Federal-aid apportionment to supplement the level of ARC funding.

This discussion, together with the maps and photographs and sketches referenced, serves as an example of the current status of the Appalachian highway corridor system. It is also indicative of the frustration that results when years of planning develops a long-term partnership between Federal, State, and local government to accomplish a consistent transportation program, and then to find one partner leaving that partnership.

Planning and development of highways and a highway corridor system take years of study and effort, and those efforts are directed toward sequencing of that construction. You don't concern yourself with the gaps because you build those segments of highest need first. Under normal circumstances that gives one minimal concern. But should the Appalachian finish-up program not be adopted, gaps in the Appalachian corridor system, as exemplified in this example of corridor G, will not be completed. The State of West Virginia, with its limited resources, as with other States, cannot undertake those projects unilaterally of that magnitude. Without the completion of those segments, the full potential for the continued growth and development and for improvement in social conditions in Appalachia will not be achieved. An abrupt withdrawal from the implied partnership role by the Federal Government will result in a regression of the accomplishments achieve in the last 17 years. Thus, the commitment and the investment over the last 17 years to this 13-State region will not achieve the potential that was intended.

Mr. Chairman, the finish-up program submitted by the Appalachian Regional Commission is vital to the future of not only the region, but also the Nation.

That concludes my remarks, sir, and I will be glad to respond to any questions. Thank you.

Senator RANDOLPH. Thank you very much for your very helpful statement and for the charts which are very explanatory.

From the point east of Elkins to the Virginia border, what would be the approximate mileage?

Mr. MILLER. Approximately 120 miles from Elkins eastward to the Virginia border.

Senator RANDOLPH. What is the situation now as to the completion of the corridor? What would be the reason that it must go one way or another, or give us the picture, please?

Mr. MILLER. Senator, we are at the present time in the State of West Virginia in the department of highways pursuing the necessary steps for completion of the environmental impact statement which will lead to the choice of line and application to the Federal Highway Administration for location and design approval on that segment of corridor H. Now it is true that the report submitted by the 13 Appalachian Governors to the Congress and the finish-up program over the next 8 years indicates that that is to be funded by some other means other than the Appalachian Regional Commission funding. But that does not indicate that the State of West Virginia and its department of highways is not fully committed—we are—to completion of that roadway. We recognize its significant importances, as we do to corridor D. A small segment over in the Parkersburg area also is not covered by this finish-up program. But we in both instances in the next several weeks will be holding public hearings pursuring those final steps in the environmental process, and before this year is out we will choose a location for that routing. I feel that it is vitally important even though we may not be able to identify the funding for construction at this particular point that we lay the plans, that we lay the ground work so those who follow when there is perhaps economic stability and there is the capability to fund those kind of highway constructions, those who come after can do so.

Senator RANDOLPH. What do you estimate the cost if the road was to be completed in the next, say, 5 years?

Mr. MILLER. In terms of today's dollar, from Elkins to the Virginia border, approximately $450 million.

Senator RANDOLPH. How many miles?

Mr. MILLER. One hundred twenty.

Senator RANDOLPH. Such a road, of course, goes through a beautiful region; is that correct?

Mr. MILLER. Yes, it does, sir. I think by the very nature of the construction done in that area we have demonstrated the ability to construct a road such that it fits aesthetically with the environment and is not harmful.

Senator RANDOLPH. I think it enhances the beauty of the area.

Mr. MILLER. It does, particularly so people can see it.

Senator RANDOLPH. It opens up to people that which they can see and sense of a very rugged yet enchanted, wonderful land; isn't that true?

Mr. MILLER. That is right, most definitely.

Senator RANDOLPH. Very near to my heart, as it is to yours, the hearts of many, many other people, and causes me to say quietly but very earnestly, we must find the means to complete that road to the Nation's Capital. Do you feel that strongly?

Mr. MILLER. I certainly do, sir.

Senator RANDOLPH. Do you think we can do it?

Mr. MILLER. Yes, sir, I think because we have many times said in the past, Senator, that corridor H more clearly is identifiable of the overall goal and objective as any other corridor in the system.

Senator RANDOLPH. Now under the finish-up program you have mentioned, how much of the corridor system do you believe can and will be completed?

Mr. MILLER. Under the finish-up program as proposed by the recent report to Congress involves in our State, sir, corridor G principally, and logically from the standpoint of its impact upon the coal-producing region of West Virginia. There are some 29 miles of corridor G yet to be completed, at a cost of approximately $416 million. That particular segment is pictured by the map. As you can see, there are a number of gaps particularly around the city of Logan. As one approaches Williamson at the southern end of the route in West Virginia are the two biggest segments of that uncompleted. As I understand the finish-up program, it can be accomplished in its entirety from Charleston to Kentucky.

Senator RANDOLPH. Would you tell us how the Appalachian funds for the corridors or even access roads are presently being used in West Virginia?

Mr. MILLER. Sir, we have utilized in the State of West Virginia, I think as exemplified by the number of completions, our system is 65 percent complete——

Senator RANDOLPH. Sixty-five?

Mr. MILLER. Yes, sir.

Senator RANDOLPH. How would that be with other States?

Mr. MILLER. Comparatively I think we are a bit ahead of the rest of them in that regard. We have always utilized every penny, if you will, of our annual apportionment, and have in the past borrowed from other States' annual allocation, our neighbor States of Pennsylvania, Maryland, and Ohio, when they were in the positions where they couldn't use their annual allocation of the Appalachian Regional Commission funds. That has put us in a position to be actually using facilities before we could have been had we waited for our annual apportionment. So as far as our utilization, we have directly billed Appalachian Regional Commission highway funds to the corridors and also to industrial access roads through the State, and without which we are hard pressed, for example, to fund and build an industrial access road. Let's say it is the last missing link to factories' deciding to settle in a particular area, maybe it is the final that that nudges that industry over the edge to make that decision to locate in Appalachia for maybe a $200,000 industrial access road. We tried to utilize those funds in that way also.

Senator RANDOLPH. This is a difficult question I am going to ask you now, but I think it is important because of your know-how and you are close to the changing situations. The completion of the Appalachian highway program in West Virginia, for every dollar spent, won't there be a return of $10 or $20 or $30?

Mr. MILLER. No question about it. I think the growth in terms of our population alone demonstrates that. I think that is one of the key parameters. I recall the days in the midfifties and as a young man in the sixties watching the outmigration of our populous to other industrialized centers—Akron, Cleveland, Columbus—to our

west, and the reason that outmigration took place was because there was no industrial growth opportunity or employment. Now that has been reversed. In the counties that I mentioned that are contiguous to the complete Appalachian corridors, that population growth has been 14 percent from 1970 through 1980. I think that is indicative of the opportunities of industrial return. So, the investment is multifold, and it is probably the most significant. The most significant factor in the Appalachian region is being able to link that isolated island of area with the rest of this Nation, and I think that is vitally important to our future as a Nation.

Senator RANDOLPH. We are grateful for your presence here this afternoon. You heard me say I was in Upshur County yesterday. Upshur County has had a very accelerated growth not only in population but in facilities. So, it was because of the facilities in part that brought that population into being; is that correct?

Mr. MILLER. That is certainly correct, and it also brought along with it, to which you alluded, the industrial growth particularly in coal. One of the fastest growing areas in our State, sir.

Senator RANDOLPH. Where is the corridor H?

Mr. MILLER. Corridor H is built up to the very limits of Buckhannon, and on the western side of the city the plans are completed, the right of way is purchased for the next three projects which carries corridor H around to the eastern side of Buckhannon and heads it on toward Elkins. It is finished in a westerly direction from Buckhannon to its juncture with Interstate 79.

Senator RANDOLPH. We have had a new development in some recent years, only a few years. We have become not off the beaten track but on the main track in the ski industry. You know that.

Mr. MILLER. Certainly.

Senator RANDOLPH. I do not speak disparagingly to the Rockies or New England areas, but we have a continuity of weather very conducive to good skiing from early Thanksgiving into the first part of March. This is shown year after year. The completion of the corridor east of Elkins into Washington or this metropolitan area, what would that do in the travel time from, let's say, the Nation's Capital to the ski resorts?

Mr. MILLER. To Canaan it would probably cut that by 2 hours 30 minutes. I know we have tabulated the travel time from selected spots around the Eastern States to spots in West Virginia assuming completion of the corridor highway system. Those times are documented in a table attached to the statement. Let's say about 2½ hours.

Senator RANDOLPH. That is Canaan you were speaking of. Now what about Snowshoe?

Mr. MILLER. Probably comparable amount of time.

Senator RANDOLPH. Not much longer.

Mr. MILLER. Not much longer.

Senator RANDOLPH. What is the travel time now, would you say, from Washington to Canaan?

Mr. MILLER. From Washington to Canaan now would be approximately 4 hours.

Senator RANDOLPH. You are saying then with the completion of that corridor it would be what?

Mr. MILLER. You could cut it down to 1 hour 45 minutes, 2 hours.

Senator RANDOLPH. The same would be true to Snowshoe?

Mr. MILLER. Right, sir, you are eliminating about the same amount of tortuous two-lane roadway by doing so. It is highly significant, and it is also a significant time in terms of energy savings, in terms of the cost to the motoring public, not just time.

Senator RANDOLPH. Mr. Miller, you know I am a believer in highways, the road transportation system in this country. It is worthy to note, back in the thirties I advocated a transcontinental system of roads. It became the interstate at a later period of time. In the first hearings in the House of Representatives on it, I could see then as I see even more clearly now the value of an excellent road system reaching its finger into every area of this country, not, of course, the same type of roads, but the road system fitting itself together. It is the strength of America. We can't get away from it. It is the network over which the vehicles roll bringing the products of mine and factory and field to the consuming public. I feel very strongly about the road system of this country. We have many problems because the interstate is beginning to wear out, as you know, after these years since 1957, and we have got to understand that they have to be refurbished. The funding problems are very acute, and I use this hearing to say whereas the Federal Government has contributed a major portion of funding to the construction, there is no law that permits us to move in West Virginia or any State in this Union to rebuild its roads that are worn out. Is that correct?

Mr. MILLER. That is right. There is a small amount of funding in the form of Interstate 3R, now called 4R, but is a very small amount.

Senator RANDOLPH. I am using this turn with you as one of the highway commissioners of one of the 50 States to indicate this is a very critical problem for the Nation to think through and for the Congress and the various elements of our system, including the White House itself, as to just what we are going to be able to do in the next several years, which leads me to something I decided to say today. Someone could get upset with me because I believe in pump priming. I believe we need pump priming today. If you want to use another word use accelerated public works. We have got to keep this system of highways, the network of roads intact, otherwise we will weaken the fabric of this country, the productivity of the plants, the movement of products to people, even perhaps the defense of the Nation in time of crisis.

Do you agree with what I am saying?

Mr. MILLER. I certainly do, sir, wholeheartedly.

Senator RANDOLPH. We have to replace these bridges across our rivers in order to handle the commerce; is that correct?

Mr. MILLER. That is exactly right.

Senator RANDOLPH. So, a new and long look and a very courageous look faces the Members of Congress and the people, those in elective or appointive positions, and the American people as a whole. Some reawakening, some rebirth of responsibility across America has to become very vibrant in these weeks, months, and years ahead.

I have said, perhaps, more than I should about the subject of roads. Dr. Flannery said she wasn't enamored much with roads,

but she is telling us she knows what the roads can do for the health system in the country, particularly the area where she works.

So, I am glad we have people on top of this problem like you in West Virginia and throughout the Nation. I am using this hearing not improperly to state that the Appalachian program, the road system has been very, very important in all these 13 States—very, very important—and the road program generally throughout the country, whatever form it takes. We cannot set it aside; it should not be allowed to rust. We have to be careful. It is very, very much a part of ongoing America which meets, not the needs of corporations per se or business per se, but it is of a priority to the people of this country. They sometimes do not understand, but what I am saying is true.

Thank you very much for listening to me and having given also the statement and comments that you have given here today. Thank you again.

Mr. MILLER. Thank you, Mr. Chairman.

Senator RANDOLPH. Our last witness will be George Kellenberger, the managing director of the Greater Parkersburg Chamber of Commerce, Parkersburg, W. Va.

We are very glad you have come to counsel with us. You may proceed.

STATEMENT OF GEORGE KELLENBERGER, MANAGING DIRECTOR, GREATER PARKERSBURG CHAMBER OF COMMERCE, PARKERSBURG, W. VA.

Mr. KELLENBERGER. Thank you, Senator.

I am George Kellenberger, executive vice president of the Greater Parkersburg Area Chamber of Commerce, Parkersburg, Wood County, W. Va.

Senator RANDOLPH. Does that include all of Wood County?

Mr. KELLENBERGER. Yes; it does.

Senator RANDOLPH. And any other county?

Mr. KELLENBERGER. No, sir, except in the SMSA we are part of Wirt, and we use those figures to be part of the demographics and promotion, and we also use in the State of Ohio, in Washington County, to help to pursue industrial development.

To digress a little bit, the chamber of commerce is on record in support of the President's economic packages, a reduction in Federal spending and a balanced budget.

However, my purpose to appear here in Washington before this committee is to express the opinion of our citizens and business community about the closeout of funding for the Appalachian Regional Commission for 1990.

We thank you for the opportunity of allowing me to appear before this committee.

We come here with a success story as we talk about the successes of what has been happening in West Virginia with the utilization of Appalachian region funds. We come here to express dismay, hurt, and absolute opposition to the removal of funding for corridor D—U.S. Route 50— segment from I-77 to the Ohio side or failure

to include funding for that same segment for the closeout of funds through 1990.

In the early 1960's, design of that highway segment was commenced. It became apparent that problems with the location of the alinement were inevitable. In 1966 the entire process was stopped, and all of the design work was placed at the bottom of the stack of the West Virginia Department of Highways.

However, leadership has changed in our area, and in May 1978 the chamber reopened this issue with a commitment to the community that, with the cooperation of the various leadership factions of our area, we would see the completion of that Route 50 segment so vital to our area. Commissioner Miller in 1980 made a commitment to the leadership of the chamber, mayor, and county commissioners that we would not be left stranded.

This incompleted segment winds on two-line streets for about 4 miles through the center of the city of Parkersburg and currently stagnates the central business district and all communities involved. In 1978 the leadership in Charleston—the statehouse—was influenced to return Route 50 to a high priority, and public hearings have been held. Additional public hearings required by law are set for April 15, 28, and 29, 1982 in Parkersburg on the recommended segment.

Dalton, Dalton, and Newport have been hired at over a cost of $750,000 to recommend the best route for this segment and to provide an environmental impact statement on each of the four alternatives that have been selected. It should also be noted that tremendous staff costs on both the district and State level have been incurred on this particular project. Likewise, the studies and the cost of the studies, designs of the alternatives back in the sixties have gone down the drain and are no longer acceptable under the new bureaucratic regulations, thus emphasizing another continuous waste of money if this project is abandoned. We recognize that this is a determination of priorities among several West Virginia road projects.

As we discuss this important item of funding for the highways, I do not want to leave the impression that we want to speak against corridor G or corridor H. I was fortunate to be director of the chamber in Mingo County during that long controversy and am familiar with their problems. But let's again look at some facts. The Route 50 segment in Parkersburg is the only segment of the east-west corridor not completed and, more importantly, this segment is located in a high-density populous area and will connect the third largest city in West Virginia and the fourth largest SMSA area—standard metropolitan statistical area—in West Virginia and Ohio.

Parkersburg is in the No. 1 economic growth area in our State according to the U.S. Department of Commerce. Parkersburg and Wood County have the largest export trade area in the State of West Virginia, again according to the U.S. Department of Commerce. In rounded figures, Parkersburg has 40,000 citizens, the county has 96,000, with an immediate service area of over 300,000 people.

Parkersburg and Wood County and the mid-Ohio Valley have been extremely fortunate to have prospered in economic development over the past few years. Parkersburg is known as a regional

center for medical, professional, financial, service, shopping—retail—wholesale, and is quickly developing as the oil and gas center of our State. Shipping of these goods and services will need to be expanded because of our regional capabilities, and without a good highway system these cannot happen. Route 50, if completed, will tie the East and Midwest into an important trade route, which when compared with the utility of Routes G and H in the commerce picture calls overwhelmingly for the selection of completion of U.S. Route 50.

Emphasizing once again, without adequate highways, the mess that we currently have is only going to be multiplied. We have 26 motor freight carriers in our area, of which we have lost two, and possibly a third, due to a lack of highways to accommodate double trailers.

Economic growth is the point of my visit, especially when dealing with a sluggish economy. Yet, new business, new jobs, and new expansion of our existing job base is the priority. It is the contention of the chamber that government on the State, local, national, and regional government levels must serve those communities that have a committed involvement with the private sector.

However, let's talk figures, statistics, and facts, and when we are through I am certain that you will agree that the commissioner of the West Virginia Department of Highways is wrong to delete or not include funding for Route 50 relative to the closeout of highway funds for the Appalachian Regional Commission.

In the figures that I am about to present, it should be noted that the industrial revenue bonds and the West Virginia Economic Development Authority have been avenues for incentive financing, speaking very clearly of the public and private cooperative efforts. In the 1979–80 year in Wood County, there was $22 million worth of private sector commitment or new construction and expansion, which relates to 1,545 new or saved jobs. During this time the chamber and the Wood County Development Authority had $397,000 worth of private funds committed to us to form a local development corporation. Such projects as L. B. Foster, $4 million, 210 jobs; Carolina Freight, $1 million, 20 jobs; Sheraton, $4.5 million, 200 jobs; Krogers, $3.6 million, 400 jobs; Nashua Photo, $1.3 million, 120 jobs; and Ohio Valley College, $4.2 million, 60 jobs.

In 1981 in Wood County there was another $31 million of private sector funds committed to new construction and expansion, and this relates to 859 new and saved jobs. These included such projects as B. J. Hughes, $8 million, 110 jobs; Diamond Glass, $8 million, 330 jobs; American China, $400,000, 120 jobs; N. L. Industries, $1 million, 55 jobs; MIDI Associates, $400,000, 50 jobs; and Par Mar Oil, $200,000, 40 jobs.

So far in 1982, ending in March, we have announced $33 million worth of private sector commitment in new construction and expansion. This will relate to 862 new or saved jobs.

In summary, the three figures used above will have $86 million worth of private commitment dollars and investment and 3,266 jobs, new or saved. We are fortunate to have only 8.7 percent unemployment.

The above figures do not include the announced plans for a $20 million new steel plant near Washington, W. Va., which would

mean 300 additional jobs, nor do the figures include our neighbors to the west, Shell Chemical, in Ohio, which has just completed $45 million worth of expansion and has underway $102 million in expansion, meaning 300 to 400 new jobs.

I guess what I am trying to maximize is that industry, business, jobs, new families are moving into the mid-Ohio Valley and we, the public and private sector, must do all we can to reduce the cost of doing business in order to provide the consumer the best product or service for their money. If we have continued delays in traffic on the local level, we inhibit our businesses from being able to move goods and services to their markets. To delay even further the funding for Route 50 will further enhance other communities' ability to provide that service, and a continued detriment to us.

We, the private sector, are doing our part to encourage economic expansion, and we are doing so evidenced in this Chamber position.

It should be noted that today 21 of the Fortune 500 are located in the mid-Ohio valley service area, a fact that we would be remiss not to promote. The inability of four-lane access highway discourages profits and encourages outlying areas to shop in other areas where traffic is not congested, while at the same time discourages our ability to encourage new investments.

When we look at economics and tax bases in West Virginia, it should be notable that over 25,000 people visited Blennerhassett Island alone last year. And as the $2.5 million development continues to move forward and the promotion of the island improves, plus Fenton Glass Works, plus the $19 million worth of Federal funds invested at Mountwood Par, to name just a few, four-lane highways are essential. Our economy will be enhanced from the continued emphasis on tourism and the history of our area.

In 1981, over 600,000 travel days were spent in Wood County during the tourism season, which was up over 30 percent from the previous year. This expansion of tourism increased total number of days, travel days, stop day, in our area from 1.8 to 2.5. It is considerable to note that this means additional lodging, food, and gasoline shopping were spent by tourists, in the public sector.

In the past few minutes I have discussed what the private sector has done. I think it would be interesting to note to you and the committee that in 1981 alone, and only for the city of Parkersburg, over $40 million of tax dollars were infused into our system. When you look at the water system, sewage system, Mountwood Park, Point Park, and the improvements to downtown, all these emphasize the tremendous amount of investment that is taking place in our area, while to our north an almost $1 billion electric power station is being constructed which will mean an additional 300 jobs.

So today the Greater Parkersburg Area Chamber of Commerce, representing more than 1,000 of its members and approximately 100,000 citizens from the city of Parkersburg, Wood County, and the mid-Ohio valley, would like to suggest, encourage, recommend, and, more emphatically, influence you to amend the recommendation of the commissioner of the West Virginia Department of Highways to include funding of the segment of the U.S. Route 50 from I-77 to the Ohio side. And in return I am willing to commit to you that we will provide the leadership of cooperation with the cities of Parkersburg, Vienna, Williamstown, North Hills, the county of

Wood, and the partnership of our friends of the great State of Ohio that all concerned will be responsible for securing the timetable necessary for the completion of this segment, and we will do what is politically necessary to provide the matching funds available from the necessary sources in making it happen.

Hindsight can always be 20/20. But for foresight to be 20/20 we must be able to lead ourselves into the future and save as many dollars as possible.

Therefore, once again, we ask politely, with conviction, that you, the members of the Environment and Public Works Committee, help us by unclogging our overburdened city streets and open new areas of development so we can do our commitment to job creation with new industry and business, thus increasing our tax base and reducing the Federal deficit and working forward toward balancing the budget.

Thank you, Senator, for the opportunity of being heard.

Senator RANDOLPH. Thank you very much, Mr. Kellenberger, for coming to the hearing and participating as you have in what we would call a plight that you have in connection with the Parkersburg area of West Virginia. Whatever the funding, whether from one type of Federal funding or another, possibly the Appalachian funding itself, there is the opportunity and I would say the responsibility for us to do what we can to understand the problem, which I frankly understand very, very well. I believe that it is the purpose and, if it is not improper for Mr. Miller to respond, I believe that it is the intent to hold hearings in the near future on this subject, which is certainly the beginning of the concentration in a way that we may not have had it at the present time.

Would you, Mr. Miller, for the record, if you feel it appropriate, speak to the matters that have been the concern of our witness?

Mr. MILLER. Certainly, Senator.

It has occurred over the last 3, 3½ years, that the department, working in cooperation with the local business leaders, the chamber of commerce in the Parkersburg area, have pursued not only the finalization of the route studies, envrionmental studies associated with the completion of corridor D, but also an entire Wood County/Parkersburg area transportation study, of which that corridor D Route 50 is a part. To that end, you are correct, we do, as Mr. Kellenberger indicated, intend to hold hearings, and public hearings, over the next several weeks and months which will culminate once and for all, and with their assistance in the local area they have graciously pledged, we will be successful in finally locating a final location for corridor D, something that should have been done perhaps in the midsixties. Nonetheless, it was not done, and through the leadership in the local community in the last 3½ years that will be done, and we will get it done.

Senator RANDOLPH. Sounds good, doesn't it?

Mr. KELLENBERGER. It certainly does, Senator.

Commissioner Miller has always been very close to our chamber. Sometimes we speak out a little loudly in order to give him a little more impetus, and at the same time showing him we are willing to commit ourselves to a task at hand. I mentioned in my talk we have to make it happen. We have to work at it.

Senator RANDOLPH. We have not scheduled another hearing. I don't feel that it will be necessary. So today we will adjourn this hearing subject to the call of the Chair. And I add this sentence or two, which is not often said but I will say it just in my own words. It was good that we counsel together. I feel that much of value has been brought forward by the witnesses during this hearing, and I believe that we can, with the cooperation of many, many people, especially now at the Congress, we can do that which is not only realistic but right, that is, to do well by Appalachia and its commission in whatever the months or years are given for its continuance of the job so superbly accomplished.

[Whereupon, at 4:40 p.m., the subcommittee recessed, to reconvene subject to call of the Chair.]

[Statements submitted for the record, the report to Congress from the Appalachian Governors, and the bill S. 2144 follow:]

PREPARED STATEMENT OF HON. JOHN Y. BROWN, JR., GOVERNOR OF KENTUCKY

Mr. Chairman, last March 13 I appeared before the House Public Works and Transportation Committee to testify against abrupt termination of the Appalachian Regional Commission.

At that time the new President was in the midst of his political honeymoon and Mr. David Stockman was riding high, selling all the wonders of supply side economics.

I told the Committee I didn't believe that the mandate the people of this country gave President Reagan was a mandate to eliminate programs that are justified and work. And I said ARC happens to be a federal program that works.

I said I knew the President would like to count on private enterprise to put up the money for all our highways and the like, but you cannot do that. Private enterprise will do its share but we can't expect it to do the public part of the development job. They can't. They won't. They haven't.

I told them, also--and I say again--that I understand the federal government has to do more with less. But I told them I would like to encourage this Administration to leave the ARC programs in place until we could get a handle on how to phase them out.

I also said last year that the Stockman budget cutting program was not saving money, but passing the tab for government services down to states and cities.

Last year I felt somewhat by myself in saying these things. Many people were believing Mr. Stockman's rosy promises and most wanted to give President

Reagan a chance, but now they are seeing desperate realities: unemployment and interest rates still high, state and local governments going into the red, and the federal deficit going through the ceiling.

This year I don't feel quite so lonely in saying the President and Mr. Stockman made a mistake on ARC and economic development. Events since then all support what I said last year about Appalachia, about ARC and the need for federal-state-local partnerships.

I said then that we needed a little more time with ARC help--time to complete our highways, time to finish up our area development program, time to begin making the most of our coal to support economic development.

Sometimes out in the states we don't think the people in Washington listen real well to what we have to say, but we were pleased that Congress certainly did so in this case. Congress came back a few months later with your request that we report back to you on what we might do along the lines I talked to you about. You asked us to:

- Give you an assessment of our ARC experience for your consideration in determining the appropriate role for the federal government in economic development.

- Second you asked us to assess the availability of state, local and private sector resources and the rate at which such funds could replace federal money in the economic development of Appalachia.

- Third, you asked us to look into the potential of increased coal exports in the economic development of Appalachia.

- And, fourth, you asked us for a plan to complete the Appalachian development highway system and finish-up the ARC area development program in three-to-five years.

We have given this Congressional request careful attention. We Appalachian Governors met in August and passed a resolution to set in motion the appropriate

staff work. Meetings were held with political leaders, professionals in the various aspects of economic development businessmen, local development districts and others. We have commissioned analyses by outside professionals to get the best information we could get on the coal potential and the availability of state, local and private sources.

We came up with our Report to Congress from the Appalachian Governors Concerning the Appalachian Regional Commission. The report, formally submitted to Congress December 31, is supported by all 13 Appalachian Governors, Democrats and Republicans, Governors from northern states and southern states, states which mine coal and states that don't.

We Governor members of ARC met again on February 23 to discuss our proposal to Congress. Bipartisan support was unanimously reaffirmed and we took action to proceed with the establishment of a development foundation for Appalachia called for in our proposal.

We have submitted to the House of Representatives our request that Congress charter such a foundation have provided suggested legislative language for the charter. I am attaching that language as part of this statement and urge this commitee to take appropriate action on it to initiate Senate approval.

Some of us think more help from ARC than is called for in our report should be made available. Perhaps some think we should do a bit more of this and less of that in the finish-up program. But each of us made compromises on both the highway and area development programs so we could speak to the Congress with one responsive, responsible voice. That we could do this, and do it in such a short time,is a testament to how well the ARC process works in negotiating decisons affecting Appalachia.

I will not try to cover in this testimony all that we say in our Report to Congress, but do want to comment briefly on each of the four questions Congress asked us.

How do we assess our ARC experience? As I said, ARC works well. Governor after Governor has called it his favorite way of doing business with the federal government. Local officials and business people support it enthusiastically

In our report, we cite evidence of progress made in Appalachia since ARC was established in 1965:

Population - During the 1950s, 2 million more people left Appalachia than moved in, causing a sharp drop in the working age population (18-64). This outmigration was reversed in the 1970s, and the growth rate is now approaching the national average.

Poverty - In 1960 about one-third of all Appalachians were living in poverty as defined by national standards. The percentage of them living in poverty has been cut in half and edging toward the national average.

Income - By 1979, per capita income in the Region had increased by 57 percent in dollars adjusted for inflation, and moved from 78 percent to 84 percent of the rising national average.

Health - Infant mortality, a measure of general health and poverty conditions, has dropped sharply, and the number of doctors practicing in the Region has risen.

Education - The proportion of Appalachians 25 and over with a high school education rose from 56 percent of the national average in 1960 to 84 percent in 1976, and later figures, when available, are expected to show it still closer to the national average.

While ARC alone did not bring about all of these changes, we as Governors know firsthand how much it helped. What we see firsthand is confirmed by ARC impact studies, some of which we mention in our report to Congress.

So we commend our ARC experience to Congress this year as you redefine the role of the federal government in economic development. Particularly since state, county and city governments are now joined in calling for a closer partnership with the federal government, we call special attention to our ARC process as one that makes such a partnership work in the real world.

We Governors can also report our firsthand knowledge about the availability of state and local resources to replace federal funds in the economic development of Appalachia.

In our report, we note that, despite a limited tax base, the Appalachian states have increased their tax efforts since 1965 at a more rapid rate than the national average. By 1979, we were making a tax effort 12 percent greater than the national average.

Federal expenditures per capita in Appalachia, which have never exceeded 84 percent of the national average in recent times, are falling, placing greater burdens on our state and local governments. The federal budget cuts, passing costs down the line, are hitting Appalachia disporportionately hard. Appalachia will benefit a little from defense, the one government program that will grow. We will have a tough enough time holding our own, much less picking up still a greater share of the total government responsibilities, but we propose to do all we can.

We have also explored the possibilities that the private sector can contribute more to the economic development of Appalachia.

I think even the Administration is finally beginning to acknowledge that the private sector won't pick up the cost of highways, community facilities and the like.

We have devised some ways, however, which we are confident will get the private sector to participate more fully in economic development in the real world of Appalachia. I'll come back to these shortly in describing our finish-up program.

Congress asked us to also to report on the potential of increased export of Appalachian coal in the economic development of Appalachia.

Coal mined in nine of the Appalachian states is an important factor in most of those and is critically important in Kentucky and West Virginia, the two leading coal production states in the country. Appalachia provides about one-half of the coal used in the United States and 92 percent of the coal we export.

Coal is already contributing to economic development, particularly in central Appalachia. Coal wages and taxes are stimulating the economy, and in my state, coal severance taxes are beginning to meet a significant part of the tremendous economic development needs in Appalachia.

In the export market, where clean Appalachian coal is particularly competitive, ARC studies indicate sales will double the 1981 level by 1995. With TVA and other major users of coal now beginning to realize that coal will become a major alternative to foreign oil through this century at least, we can expect improved domestic sales from the mid 1980s on.

But this all takes time and solutions to some of our critical transportation, legislative, regulatory and other problems. Ultimately coal is going to be a major factor in providing the resources to build a diversified economy in the Region; but we've got to devise ways to keep up our momentum during this transition period.

The ARC finish-up program we propose will, among other things, help provide this transition. That program is described in our report, which you have received, but I want to take a few minutes to highlight some aspects of it.

We propose to finish up the Appalachian Development Highway System under a ceiling of $2.27 billion in federal funds, less than one-third the estimated $7 billion in federal funds needed to complete the entire system.

To pare back so severely the planned system, always the basic ingredient in our Appalachian development program was painful. Under our proposal, we would build only the highest priority sections, only 550 of the 1,303 unimproved miles in the system. We Appalachian states have commited ourselves to build an additional 70 miles with substantially our own resources and to examine the possibilities of using toll roads to build additional segments.

The modified system we propose would result in completion of only 2,351 miles of the 3,033-mile planned system. In addition to the 1,730 miles completed by the end of September 1981, only those segments would be completed which carry the highest traffic, eliminate the most restrictive gaps, meet the greatest needs for coal transportation and complete the most critical state line crossings.

This 2,351-mile system will not do all the planned 3,033-mile system would in opening up the development of the Appalachian Region. Our proposal would, however, capitalize on the investments already made to make the most effective developmental use of federal funds we can realistically expect.

In determining what might be realistic expectations, we took into consideration the Administration's proposal last March of a five-year funding level for continuation of work in our Appalachian Development Highway System.

We adapted the Administration's proposal which would provide money from the Highway Trust Fund, to begin in 1983--rather than 1982--and added three years of additional authorization at rates similar to theirs to end with the same completion date as that of the Interstate Highway System.

We were reluctant to cut back the system so severely, but we were trying to be realistic: but in the interests of Appalachia and the nation we did not think we could conscientiously ask for less.

In area development, we also propose a barebones program which we agreed to with considerable difficulty. There were those who thought that we should not talk about ending one of the few government programs that works. I have insisted only that the ARC program is working and we should not stop in the middle of something that is successful.

We looked at our health program, which has been highly successful in getting basic health care out into even many of the more remote areas in most of the Region. We determined that for about $8 million a year for three years we could complete the job--could get at least basic care through a clinic or private practice out to the 60 or so counties which now lack even such basic health care.

Out of that same total $24 million over a three year period, we could also reduce infant mortality in 32 Appalachian counties where infant mortality rates are at least 150 percent of the national average. We could also recruit some 150 additional health professionals to serve in doctor-short areas.

With this limited investment, therefore, we can wind up ARC health activities with a feeling of accomplishment which you, we and many others can share.

We also looked carefully at a group of some 60 counties which are particularly distressed or underdeveloped which have not been able to take full advantage of the ARC program. ARC was established as an economic development program and is required by law to focus its investments where they can get the most economic development return. Few such investment opportunities are found in these counties.

About three out of four of the 900,000 Appalachians in these 60 counties live in 1,800 communities and small settlements of 25 or more homes. Many communities lack even the most basic services, poverty and unemployment rates are high and houses without plumbing are three times the national average.

We believe that we, the Appalachian states, and the federal government should make a special effort to help these counties, to give them a basis of hope, before the ARC programs are terminated.

We propose, therefore, that $15 annually be authorized by Congress for five years so ARC can give special help to these 60 or so counties. These funds would be used primarily to help meet the most severe needs for safe drinking water and safe waste disposal in the counties and take advantage of opportunities under our proposed jobs and private sector investment program.

It is this jobs and private investment program which would receive the major part of the area development funds in our proposed program: $60 million out of $85 million the first three years and $60 million out of $75 million for the remaining two years.

This program is designed for one specific thing: increase the number of private sector jobs in Appalachia in the immediate future. It would do this by supporting projects which will:

- Encourage industry to get started, to expand or to continue in operation;
- Train people in Appalachia for jobs in the Region;
- Stimulate private investments.

In order to focus sharply on private sector jobs and investments, we propose to halt funding of a number of kinds of projects we fund at present. These include: libraries, cultural centers, hospital construction, medical buildings, recreation facilities, school construction, government offices, community centers, social service facilities and multiyear operating grants. As worthy as many of these projects are, funding would have to come from non-ARC sources in the finish-up period.

We would also stop funding other kinds of projects unless a direct relationship to jobs can be demonstrated. We would no longer fund a child development center unless it could, for example, show that it would provide care for children of working parents and such care would help create or retain jobs.

We would not propose such a narrow focus if we were considering a longer range Appalachian development program rather than a relatively brief finish-up program. In a finish-up program, we must go for the quick

payoff in jobs and private investments. And my own experience as well as the advice of the businessmen we have contacted suggest this is the way to get the quick payoff.

To further increase private sector participation in the economic development of Appalachia, we propose to establish a development foundation for Appalachia. The foundation will raise funds from individuals and corporations, particularly those who have benefited from coal and other resources of the Region. The foundation will help offset the loss of ARC and other funds over the years and remain after ARC to foster Appalachian development.

In conclusion, we believe our proposal to you is both responsive and responsible. It calls on the federal government for less and commits those of us in Appalachia to do even more. It provides for an orderly transition to the period when ARC will no longer exist and provides both time certain and dollar certain limits on all ARC activities.

This is a businesslike way to wind up a successful program if wind up we must. As we say in transmitting the report to you, the proposed program would leave much undone, but would provide for an orderly completion of ARC efforts now in progress, would solidify the gains made during the past 15 years and would enable the Region to continue progress toward national economic standards.

"With your continued support," we conclude in our report, "we are confident that ARC will leave a legacy in which we can all take pride." This year already I have testified before both the House Public Works and Transportation Committee and the House Appropiations Committee on our finish-up proposal. I am confident we will have the support of those House committees. I hope we will also have yours.

Thank you for seeking our recommendations and this opportunity to discuss them with you.

§112 The Appalachian Regional Development Act of 1965 is amended by adding a new Title V as follows:

TITLE V

APPALACHIAN DEVELOPMENT FOUNDATION

§501. Declaration of Policy

In addition to the findings set forth in §2 of this Act, the Congress finds and declares that it is the policy of the United States to continue the development of the Appalachian Region fostered by the programs authorized by this Act through the provision of a means for the attraction of public and private donations and investment in the Region. To this end, and upon petition and recommendation of the governors of the Appalachian States, the establishment of an Appalachian Development Foundation is hereinafter provided.

§502. Appalachian Development Foundation Created

There is hereby authorized to be created a not-for-profit corporation to be known as the Appalachian Development Foundation, which shall have perpetual existence and, except as otherwise provided in this Act, shall be a body corporate in the District of Columbia subject to the District of Columbia Nonprofit Corporation Act, 76 Stat. 265, Public Law 87-569, §1, 29 D.C. Code, Chapter 5. The right to repeal, alter or amend this Act is expressly reserved.

§503. Purpose of the Foundation

The Appalachian Development Foundation shall have as its purpose the economic development of the Appalachian Region (as defined in Section 401 of this Act), enhancement of the social, educational, physical and cultural wellbeing of the people of such region and organization and coordination of public and private efforts to these ends.

§504. Powers of the Foundation

The Appalachian Development Foundation shall have the following powers:

a. To sue and be sued, complain and defend in its corporate name;

b. To purchase, take, receive, lease, take by gift, grant, appropriation, devise or bequest, or otherwise acquire, own, hold, improve, use, and otherwise deal in and with, real or personal property, or any interest therein, whenever situated;

c. To sell, convey, mortgage, pledge, lease, exchange, transfer, and otherwise dispose of all or any part of its property and assets;

d. To purchase, take, receive, subscribe for, or otherwise acquire, own, hold, vote, use, employ, sell, mortgage, loan, pledge, or otherwise dispose of, and otherwise use and deal in and with, shares or other interests in, or obligations of, other domestic or foreign corporations, whether for profit or not for profit, associations, partnerships, or individuals, or direct or indirect obligations of the United States, or of any other government, state, territory, governmental district, or municipality or any instrumentality thereof;

e. To make contracts and incur liabilities, borrow money, issue notes, bonds, and other obligations, and secure any of its obligations by mortgage or pledge of all or any of its property, franchises and income;

f. To lend money for its corporate purposes, invest and reinvest its funds, and take and hold real and personal property as security for the payment of funds so loaned or invested;

g. To make grants to public and nonprofit entities to carry out the purposes of the Foundation;

h. To adopt bylaws, conduct its affairs, carry on its operations, hold property, and have offices and exercise the powers granted by this Act in any part of the world;

i. To elect or appoint officers and agents of the corporation, and define their duties and fix their compensation;

j. To make and alter bylaws, not inconsistent with the Act, for the administration and regulation of the affairs of the corporation;

k. To indemnify any director or officer or former director or officer of the corporation, or any person who may have served as its request as a director or officer of another corporation, whether for profit or not for profit, against expenses actually and necessarily incurred by him in connection with the defense of any action, suit, or proceeding in which he is made a party by reason of being or having been such director or officer, except in relation to matters as to which he shall be adjudged in such action, suit, or proceeding to be liable for negligence or misconduct in the performance of a duty. Such indemnification shall not be deemed exclusive of any other rights to which such director or officer may be entitled, under any bylaw, agreement, vote of board of directors, or otherwise;

l. To have and exercise all other powers necessary or convenient to effect the purposes for which the Foundation is organized.

§505. Board of Directors

The Foundation shall be governed by a board of directors composed of twenty-seven members, of whom one shall be elected to serve as chairman.

Thirteen directorships shall be reserved for the governors of the states included in whole or in part in the Appalachian Region, as defined in Section 401 of this Act.

Fourteen directors shall be elected by the board provided that the initial such directors shall be elected by the governors who are incorporators pursuant to §507. Such directors shall be divided into classes to produce staggered threeyear terms. Upon the expiration of such initial terms, directors shall be elected by the board.

The board may also, by election, fill, for their respective unexpired terms, any vacancies on the board which may occur.

The board shall exercise those powers enumerated in §504 and may, in its discretion, delegate its authority to an executive committee drawn from its membership.

§506. Foundation to be Nonprofit

The Foundation shall be nonprofit in character. No part of the net earnings of the Foundation shall inure to the benefit of, or be distributable to, its directors, officers, or other private persons, except that the Foundation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in this Act. No substantial part of the activities of the Foundation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in any political campaign on behalf of any candidate for public office. The Foundation shall not carry on any other activities not permitted to be carried on by a corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1954, or the corresponding provision of any future United States Internal Revenue Law.

§507. Process of Organization

Three or more of the governors designated to be directors by Section 505 shall serve as the incorporators of the Foundation and shall file articles of incorporation as prescribed by the District of Columbia Nonprofit Corporation Act in a form consistent with the provision of this Act.

§508. Reports to Congress

On or before the first day of _____ of each year the Foundation shall make and transmit to the Congress a report of its operations for the preceding calendar year.

Prepared Statement of Hon. Lamar Alexander, Governor of Tennessee

During the past 15 months, I have had several reasons to study carefully the effectiveness of the Appalachian Regional Commission and its importance to Appalachia. As a Republican, the Governor of an Appalachian state, and the 1981 ARC States' Cochairman, I naturally weighed carefully the Administration's proposal to terminate the ARC immediately. I have also reviewed the alternative presented by the ARC governors: a finish up plan.

This ARC finish-up proposal, in my opinion, is truly consistent with the desire of the President and many members of Congress to reduce federal spending. Under it, the ARC takes more than its share of the budget cuts. In fact, the ARC ends completely. It simply does it in an orderly way. If every other agency were as consistent with the President's objectives as we have proposed that the ARC be, there would be no federal budget deficit.

The ARC way of doing business is a good one. For a long time I have been interested in what the President calls "New Federalism," and ARC is about the best example of this kind of federal-state-local sharing of responsibilities that I know about. There is a minimum of federal bureaucracy and a maximum of local decision-making.

And ARC works. It is doing what it is supposed to do. You can see the results. Appalachia is catching up.

But we are still a poor region. Despite the progress we have made, the region still has a lot of catching up to do. There are still only six states poorer than my own state of Tennessee, and the Appalachian counties in Tennessee are considerably poorer than the rest of the state. Twelve of

those counties are among the most severely distressed counties in the whole region, three lack even basic health care and the two others have infant mortality rates 150 percent of the national average.

We still have a long way to go.

So we Governors got together, Republicans and Democrats, to look at both the compelling logic behind the Administration's cutting of the federal budget and the compelling arguments to continue ARC at least through the phase-out period. We talked with our local officials and with other people throughout the region. We came up with the compromise finish-up program.

Last November, as ARC States' Cochairman, I wrote OMB Director David Stockman in support of this finish-up proposal and recommended a Fiscal Year 1983 budget to begin the implementation of our proposal. I called attention to the considerable cuts in ARC funding below past levels. I also noted the extensive support of our proposal at state and local levels throughout the region.

Since OMB did not include our proposals in the Administration's 1983 budget, we Appalachian Governors subsequently submitted our FY 1983 ARC budget recommendations directly to the appropriate committees of the Congress, including--of course--your committee.

We have indications of strong bipartisan support of our ARC finish-up proposal, as well as a 1983 budget to implement it, from both the House Appropriations Committee and Public Works and Transportation Committee. Such bipartisan support is an integral part of ARC's history, from the legislation that created the Commission to the present support by governors, local officials and private sector leaders in 4,000 communities throughout Appalachia.

I hope we can count also on such bipartisan support in this committee and the entire Senate. And I especially commend you, Senator Randolph, for introducing S.2144, which would effectively implement the Governors' proposal.

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Prepared Statement of Hon. William F. Winter, Governor of Mississippi

I AM PLEASED TO APPEAR HERE TODAY AND JOIN WITH OTHER MEMBER GOVERNORS TO DISCUSS THE PROPOSED FINISH-UP PROGRAM FOR THE APPALACHIAN REGIONAL COMMISSION. MISSISSIPPI HAS BEEN PRIVILEGED TO HAVE TWENTY COUNTIES IN THE NORTHEAST PART OF THE STATE TO BENEFIT FROM THE MANY FACETED OPPORTUNITIES PROVIDED THROUGH ARC ASSISTANCE AND THE IMPACT HAS BEEN DRAMATIC.

BEFORE ARC THE PER CAPITA INCOME AND JOB OPPORTUNITIES IN THESE TWENTY COUNTIES WERE COMPARABLE TO AND OFTEN LOWER THAN ADJOINING COUNTIES IN MISSISSIPPI. WHILE THE ENTIRE STATE CONTINUES TO RANK 50TH IN THE NATION IN PER CAPITA INCOME, MEASURABLE IMPROVEMENTS HAVE BEEN MADE IN THE ARC REGION. YOU CAN TELL THE DIFFERENCE AS YOU CROSS COUNTY LINES. IN 1979 PER CAPITA INCOME HAD INCREASED TO $5,930 IN THE ARC REGION COMPARED TO $5,494 IN ADJACENT COUNTIES. WE NEED THE OPPORTUNITY TO CONTINUE THIS IMPROVEMENT PATTERN THROUGH THE FINISH-UP PERIOD AS WE SEEK OTHER MEANS TO MOVE TOWARD SELF SUFFICIENCY AND LESS DEPENDENCE ON WELFARE AND OTHER SOCIAL PROGRAMS. THIS REGION STILL LAGS FAR BELOW THE NATIONAL AVERAGE AND NATIONAL STANDARDS AND COULD BEGIN TO SLIP DOWNWARD WITHOUT THE ASSISTANCE OPPORTUNITIES PROVIDED BY THE ARC PROGRAM.

THE BIPARTISAN PARTNERSHIP ESTABLISHING THE APPALACHIAN REGIONAL COMMISSION AND, CONTINUING TODAY, PROVIDES A UNIQUE SYSTEM OF FEDERAL-STATE AND LOCAL RESPONSIBILITY SHARING THAT IS BY FAR THE MOST EFFECTIVE OF ANY FEDERALLY SUPPORTED PROGRAM. SENATOR RANDOLPH AND OTHER FOUNDING FATHERS VERY

WISELY PROVIDED AN EXCELLENT SYSTEM FOR SORTING OUT PRIORITIES AND FOR ADDRESSING PROBLEMS WITHOUT THE USUAL LIMITATIONS OF SINGLE PURPOSE PROGRAMS. SENATOR RANDOLPH'S RECENTLY INTRODUCED BILL CONTINUES THAT OPPORTUNITY AND PROVIDES AN EXCELLENT VEHICLE FOR AN ORDERLY FINISH-UP PROGRAM.

IN MISSISSIPPI THE ARC REGION HAS MADE MEASURABLE STRIDES - THE REGION IS GROWING THROUGH ECONOMIC DEVELOPMENT ASSISTED BY ARC. OUR ARC REGION GROWTH RATE EXCEEDED THE STATE GROWTH RATE BY 1.6% DURING THE 1970's. HOWEVER, WE FIND MAJOR PROBLEMS EMERGING TO IMPACT ON CONTINUED IMPROVEMENT IN JOB OPPORTUNITIES. THE TENNESSEE VALLEY AUTHORITY RECENTLY ANNOUNCED THAT CONSTRUCTION WOULD BE STOPPED ON THE YELLOW CREEK NUCLEAR POWER PLANT IN THE NORTHEAST CORNER OF THE STATE.

THIS LOSS WILL ONLY INCREASE AN UNEMPLOYMENT PROBLEM ALREADY OF SERIOUS CONCERN IN THIS REGION OF THE STATE. SINCE THE DOWN-TURN IN ARC FUNDING EMPLOYMENT IN THOSE COUNTIES WITHIN THE ARC REGION HAS INCREASED TO 11.3%, WELL ABOVE THE STATE AVERAGE. PROBLEMS RESULTING FROM THIS SITUATION ARE FAMILIAR TO ARC AND THE ASSISTANCE OF THAT PROGRAM IS NEEDED TO RELIEVE CURRENT STRESSES AND BUILD TOWARD A BETTER FUTURE. BEFORE THE CURRENT DOWN-TURN, EMPLOYMENT OPPORTUNITIES IN THE REGION HAD INCREASED BY 28% BETWEEN 1970 AND 1980. COUNTIES ADJOINING ARC EXPERIENCED AN EMPLOYMENT GROWTH RATE OF LESS THAN 17%. LEADING THIS GROWTH, ARC COUNTIES MANUFACTURING EMPLOYMENT INCREASED BY NEARLY 20% DURING THIS TIME, WHILE ADJOINING COUNTIES ONLY EXPERIENCED A 4% GROWTH. IN MANY INSTANCES, ARC ASSISTANCE FUNDS FOR ROADS AND PUBLIC IMPROVEMENTS MADE THE DIFFERENCE IN PROVIDING OPPORTUNITIES FOR THESE INVESTMENTS TO BE SUCCESSFULLY COMPLETED.

AS WOULD BE EXPECTED, THIS AREA'S DEPENDENCY ON WELFARE AND OTHER ASSISTANCE PROGRAMS DECREASED WITH INCREASED JOB

OPPORTUNITIES. THE NUMBER OF FAMILIES RECEIVING AFDC WELFARE PAYMENTS INCREASED AT A 43% GREATER RATE STATEWIDE THAN IN THE ARC COUNTIES. AS YOU DRIVE ACROSS COUNTY LINES YOU CAN SENSE THE DIFFERENCE REFLECTED BY THESE STATISTICS. THIS UNDERDEVELOPED REGION OF OUR STATE IS BEGINNING TO REALIZE ITS POTENTIAL. THIS IS NOT THE TIME TO RETRENCH, BUT THE TIME TO INITIATE AN ORDERLY FINISH-UP PROGRAM THAT CONTINUES ECONOMIC DEVELOPMENT OPPORTUNITIES AND IMPROVED SELF-SUFFICIENCY. TO ME THAT'S WHAT NEW FEDERALISM IS ALL ABOUT - LET'S DON'T ABRUPTLY DISMANTLE THE BEST PROGRAM, THE BEST PARTNERSHIP CURRENTLY AVAILABLE, WITHOUT FIRST PROVIDING MAXIMUM TRANSITION OPPORTUNITY WITHIN THE LIMITS OF A CAREFULLY PROJECTED FINISH-UP PROGRAM, AS IS REFLECTED IN SENATOR RANDOLPH'S BILL.

I APPRECIATE THIS OPPORTUNITY TO TESTIFY ON THIS MOST IMPORTANT PROGRAM TO MY STATE, THE THIRTEEN STATES IN THE ARC REGION AND TO THE WELL BEING OF THIS NATION. I BELIEVE YOU SHOULD FULLY CONSIDER THIS PARTNERSHIP PROGRAM A MODEL AND I URGE YOUR APPROVAL OF THE FINISH-UP PROGRAM WE HAVE OUTLINED TO YOU.

APPALACHIAN REGIONAL COMMISSION
1666 Connecticut Avenue, N.W
Washington, D.C. 20235

April 21, 1982

The Honorable Robert T. Stafford
Chairman, Committee on Environment and
Public Works
4204 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Stafford:

It is our pleasure to respond to the questions which you submitted to us following the hearing on the Appalachian Regional Commission before the Regional and Community Development Subcommittee of the Environment and Public Works Committee. As you will see from our answers, we strongly feel that the Commission should be given an opportunity to complete its important mission and that the Commission has served as an exemplary Federal grant-in-aid model.

We deeply appreciate your courtesy during the hearing, and are hopeful that the Committee will be able to report favorably on our recommendations.

Sincerely yours,

LAMAR ALEXANDER
Governor of Tennessee

WILLIAM F. WINTER
Governor of Mississippi

Enclosures

Questions to Governor Lamar Alexander and Governor William F. Winter
By Senator Robert T. Stafford
March 29, 1982 Hearing of
Subcommittee on Regional and Community Development
Senate Environment and Public Works Committee

1. The Appalachian Governors, I understand, have explored the possibility of establishing the Appalachian Development Foundation to take over the responsibilities of the Commission. What is the status of that idea?

   A. The Foundation will not take over the responsibilities of the Commission, rather its efforts will supplement those of the Commission, with emphasis on strengthening the public-private partnership in ARC during the finish-up program. We have presented our proposal to your committee and to the House Public Works and Transportation Committee. We are making plans for establishing the foundation promptly after Congressional action on our proposal.

2. You noted your concern about completion of portions of the Appalachian Development Highway System. However, is it not true that the highways under the system remain eligible for funding under the primary and secondary categories of the Highway Trust Fund?

   A. While it is true that most of the ARC Corridor System is on existing U.S. highways that are eligible for primary funds, there are portions of the system that are on state routes and would not be eligible for federal aid. If the funding for the Appalachian Development Highway System were eliminated, the Federal aid primary funding could not complete the remaining miles without extensive rerouting to existing U.S. eligible highways. Such rerouting would severely diminish the value of the system.

   Furthermore, the Federal aid primary system's funding is $1.5 billion annually for the entire 310,000-mile primary system, or an average of about $30 million to each state for its entire primary system. There are enormous needs to address with this money, without adding the cost of those eligible portions of the ADHS.

   Finally, one of the most compelling reasons for the ADHS was the nature of the current highways: winding, two lane highways with slow moving truck traffic and generally unsafe conditions. The primary program had done little to up-grade these highways and without special help for a corridor system (as opposed to a general program of primary aid) these areas would be locked into these inadequate and dangerous two lane highways indefinitely.

3. A major concern raised by critics of the ARC program is the overlap of the Commission's functions with other Federal agencies. For instance, grants and loans for rural water systems and sewers are available from both the Environmental Protection Agency and the Farmers Home Administration. ARC provides similar assistance. What assurances do we have that the ARC "finish-up" program is not duplicating responsibilities of other Federal agencies.?

   A. It is true that ARC can help fund the same kinds of projects which are funded through various federal agencies. The ARC program was

designed so that the states could use ARC funds to supplement regular Federal agency funds in those instances where local communities could not afford the full matching provisions of the Federal programs. ARC funding is, therefore, interlocked with the funding of such agencies as EPA and the Farmers Home Administration, integrated with such funding rather than overlapping or duplicating it, to focus all available resources on the highest priority needs.

4. The major portion, $60 million, of the Governor's proposal for "finish-up" of the area development program would go for creation or retention of private sector jobs. I have studied your proposal but would appreciate more definitive information on exactly how this funding would be employed.

   A. What we are proposing is the putting together of projects in which there is a specific commitment from the private sector. For example, an industry might be willing to invest in an expansion if we could arrange for funding of a needed sewer system, or child care center for employees, or other needed services or facility. In another instance, we might provide support to a training program devised jointly by a training institution and an industry or industries in order to upgrade skills needed by those industries. In another instance, a group of businesses might agree to invest in upgrading waste disposal in an industrial park to serve expansions if ARC can make possible a public investment to upgrade a sewer line to the park.

5. In providing funding for ARC in the current fiscal year, the Congress directed that no funding be provided for "new" projects that would require multiyear funding. The inclusion of this language indicated an interest by the Congress to have the current year's funding used as a transition. Would you kindly detail how this year's funding has been used to accomplish a transition?

   A. We are using the FY 1982 funds to conclude the ARC program as it has operated since 1965, making no commitments for multiyear funding. This will provide a transition from the traditional ARC program to the finish-up program which we have proposed to Congress and which we hope this Committee will support.

Questions to Governor Lamar Alexander and Governor William F. Winter
By Senator Jennings Randolph
March 29, 1982 Hearing of
Subcommittee on Regional and Community Development
Senate Environment and Public Works Committee

1. What kinds of investments do you anticipate will promote the creation and retention of private sector jobs, upgrade manpower for jobs in the Region or stimulate private sector investments?

   A. Many kinds of investments will contribute to these objectives, but under our proposal we will be able to help fund only the most productive.

   We will concentrate on providing initial or expanded water and sewer service to support basic employment needs, building access roads to coal preparation plants and industrial parks, and sharing with the private sector the cost of upgrading community infrastructure costs that directly serve an industry.

   In cases where a housing shortage limits a community's economic growth, and a developer arranges for private financing of housing, we will give priority to use of ARC funds to help extend water to the development or provide it with a sewage package plant.

   Training assistance, coupled with a commitment of private sector financial or other support to upgrade job skills in an area, will also be highly productive use of limited funds to achieve the objectives you mention.

2. How is the Appalachian Regional Commission program responsive to the Administration's "New Federalism" of cutting back on Federal funding and leaving decisions up to individual states and local communities?

   A. As we have said before this committee and elsewhere, we have been considerably interested for sometime in what the President calls "New Federalism." And we have found that ARC is probably the best example of that kind of federalism we have because, without excluding the Congress or the Executive Brach, most of the decisions are made in the states and localities rather than in Washington.

   For this reason, ARC is a good way to stretch the use of any economic development dollars the federal government has. Even so, we propose to cooperate in the reduction of the federal budget by cutting back on funding during our finish-up period and requiring that all area development funds be matched on a fifty-fifty basis.

3. Why should the ARC program be retained when there is such a great need to cut back on Federal spending?

   A. As we have mentioned, ARC works so well and we are proposing to absorb a level of cuts which, if applied government-wide, would more than wipe out the expected deficits.

   In addition, the need is great. Appalachia is catching up but still has a long way to go. We are still a poor region. The experts say that we in Tennessee and Mississippi will not catch up to the national per capita income until well into the twenty-first century. We ought to be able to do better than that.

4. Can you give us any examples of the type of projects you would fund under the jobs and private investment program? What kinds of private investments are you looking for?

   A. The two questions actually become one because the projects we would fund would be directly related to a private investment.

   These would include:

   - o Projects that would support the expansion of an existing business or industry where the business or industry has secured private financing for its expansion.
   - o Infrastructure for housing developments which are needed to support the expansion, or retention of business and industry.
   - o Projects which will stimulate the growth of advanced technology industries.
   - o Projects which will encourage corporate reinvestment in the Region.
   - o Projects which encourage corporate participation or private capital in housing finance through shared appreciation or equity participation in mortgages and syndication.

5. You are proposing to limit all area development grants to a maximum of 50 percent of project costs and to assist grant recipients in packaging other resources to meet the proposed higher match requirement. Do these other resources actually exist, or is this going to be a problem for the states, especially in providing help for the poorer counties with very limited local resources?

   A. These resources will be available but extremely limited by various budget cuts, so we are going to have to use our ingenuity in finding the necessary matching funds, especially in the poorer counties.

   Through ARC, however, we will be able to target limited resources on the highest Appalachian priorities, using the ARC fund to fill the gaps between funds under other programs and the available local funds. We will also design and fund only affordable, cost-efficient, no frills public services tailored to meet a particular community's needs.

6. The Commission has been in the forefront in improving health conditions in Appalachia. Now you are proposing to limit grant assistance to projects for primary health care, infant mortality reduction and physician recruitment. Are other needs--hospital renovation, emergency medical services, health education, etc.--largely met, or will you continue in an advocacy role for better health conditions in the Region?

   A. ARC in its early days gave emphasis to hospital construction and hospital facilities and the Region approached a level of facility adequacy in the early 1970s. In more recent years, we have been able to concentrate on supporting substantial growth of the entire health care system in Appalachia.

The finish-up program will help us extend basic health care throughout the Region, but there will be a continuing need in Appalachia, and elsewhere, for public funds to update, maintain and expand the broad range of health care services and facilities to keep pace with development.

7. The Commission process in the area development program, involving all three levels of government--local, state and Federal--in the decision making, has always struck me as both responsive and responsible. Might it not be considered a model for the Administration's "New Federalism" proposals? Or, does it read better than it works?

   A. ARC works well and is working better than it did in its earlier pioneering days. Much that this Committee has done, including the strengthening of the role of local development districts, has made ARC work better over the years.

   The ARC process is working the way you intended it to work, we believe. It involves less red tape and fosters creativity in ways that many Federal programs do not. It does make a difference in the Region.

   We consider ARC to be the best of all federal programs, including block grants. Its flexibility and its way of doing business should get thoughtful consideration as you in the Congress and we in the states consider ways to implement the Administration's "New Federalism."

8. If the Congress were not to fully fund the finish-up program, what would your priorities for funding be?

   A. We have already made changes in our priorities and, therefore, would propose to maintain our same priorities in both the highway and area development programs, but would proportionately scale back the funding levels in the highway program and each of the components of the area development program.

9. How important are exports of Appalachian coal to the Region?

   A. Coal exports are extremely important to Appalachia and the entire nation as we seek a better balance of trade. Mining, processing and transporting coal provides good jobs. Beyond that, coal dollars can be used as a resource in building a more diversified economy.

   Coal exports rose from 65 tons in 1979 to 110 million in 1981, with most of the exports going to the growing steam coal market in Europe.

   Despite the temporary oil glut, we can expect coal to provide considerably greater resources for Appalachian development in five or ten years, provided we take care of transportation, community facilities and other bottlenecks in the meantime.

10. In the finish-up report, there is a brief description of a development foundation that ARC proposes to set up. Can you tell us what it proposed?

    A. We are seeking a Federal Charter to establish a private foundation, which will seek funding and other private sector financial support and

other support to help supplement federal Appalachian development funds and deal with the development of the Region after the termination of our finish-up program.

We have submitted the proposed foundation charter to your committee and to the House Public Works and Transportation Committee and will launch the foundation promptly after Congressional action on our proposal.

11. What types of projects have you done in the past which you would not be doing under your finish-up program?

A. The only projects we propose to fund are those which directly implement the finish-up program. As provided in S. 2144, we will not approve projects (1) for libraries, cultural centers or recreation facilities; (2) for the construction of new schools, hospitals or government office buildings; (3) for community centers or social services facilities; or (4) for multiyear operating grants.

PREPARED STATEMENT OF CASTRO H. KNEPP, COUNTY JUDGE, FENTRESS COUNTY, TENN.

Senator Randolph and members of the Senate Regional and Community Development Sub-Committee.

I appreciate very much the opportunity to testify at this hearing. It isn't very often that an elected official of a county as poor as mine, as small as mine and as far back in the sticks as mine gets an opportunity to express his opinion to anybody much except his wife and his secretary. His wife has heard it before and his secretary could care less.

First, I'd like to express my appreciation for all that the Appalachian Regional Commission has done for us in the past. Mine is one of those counties with so little economic development potential that we have not benefitted as much as some of our neighbors, but ARC has been tremendously important to us.

We have been fortunate to have a health program. We have received invaluable guidance and technical assistance from our local development district. We have received grant funds for health facilities construction; and most recently for an industrial park.

Secondly, I'd like to congratulate the ARC staff of whoever conceived the idea of the "finish up program."

Much remains to be done and the ARC capability is too valuable to scrap overnight--ARC has always had a relatively small, highly efficient staff which understands our kinds of problems like no other agency in Washington.

We understand the need for phase-out and shut-down, balance the budget, a new beginning, reducing spending, getting the federal government out of the peoples lives, etc., etc. There is, however,,such a thing as false economy. Overnight scrapping of ARC would be false economy.

Through the efforts of ARC much of Appalachia has for the first time in decades, experienced increasing population, incomes and employment. We have seen improvement in water and wastewater systems, transportation, public facilities of all kinds, as well as such services as health and child development.

But the job is far from finished! It may be selfish on my part, but I am especially interested in the Health Finish-Up and Distressed Counties programs.

The latest data available for infant mortality is 1979. In that year my county had the second highest rate in the state of Tennessee--24 infant deaths per 1000 births. We are fifth among the 397 Appalachian counties. Obviously, we desperately need continued assistance in trying to solve this appalling problem.

According to the ARC list and the criteria used to complete it, Fentress County, Tennessee is the fifth poorest county in Appalachia.

But, according to the U.S. Bureau of Census, we are the poorest county in Tennessee, the sixteenth poorest county in the United States and the third poorest in Appalachia.

Unfortunatley, we had the dubious honor of making the Irving Wallace family's Book of Lists #2 so that all the world may know how poor we are.

Our per capita income in 1979 was $3,803, 52% of the state average and 43.4% of the national average.

According to the 1980 Census of Housing 12% of the owner occupied Fentress County homes lacked complete plumbing facilities- four and a half times the state average and eight and a half times the national average. The picture for renter occupied units was even more dismal--32.4% lacked complete plumbing facilities. This was 5.88 times the state average and nine times the national average.

Our 1978-80 unemployment rate was 12.73% fourth worst in Appalachian Tennessee. Thirty-five percent of our citizens are below the poverty level--second worst in Appalachian Tennessee.

We've made some progress. Our per capita income growth over the seven years 1974-81 has matched that of the state and exceeded the nation. For 1978-79 we exceeded both the state and nation by well over 2%. Our percentage of employment has grown over 11% since 1975. We have a new industrial park, an excellent airport, good schools, attractive recreational facilities, adequate treated water and a recently improved access road to the nearest interstate highway.

There is light at the end of the tunnel. But, we need some help for a while longer.

We need to improve our infant mortality rate. We need the continued assistance of the local development district staff. We need help to secure occupants for our new industrial park and thus provide additional much needed jobs and increased incomes.

And, one of our greatest needs is for extension of potable water to additional areas of our county--water which could result in a reduction of the number of homes without plumbing and an overall increase in the number of desirable home available.

We have most of the infastructure in place. We are on the verge of moving forward. On behalf of the folks in my county and all those in other have-not counties throughout Appalachia, I implore you to support and to fight for the proposed five year area development finish-up prpgram, and let ARC administer it for a change, mandating that all ARC funds be administered through another older agency is like trying to win a race with an antelope tied to an elephant.

Again, thank you for hearing me out.

Casto H. Knepp, County Judge
Fentress County, Tennessee

Prepared Statement of Charles L. Miller, Commissioner, West Virginia Department of Highways

Mr. Chairman, members of the Committee, I am Charles Miller, Commissioner of the West Virginia Department of Highways. I greatly appreciate the opportunity to appear before this Committee to express my views regarding the Appalachian Regional Commission and, more importantly, to provide you with information regarding the Appalachian Regional Commission Development Highway Program. May I also express, on behalf of the citizens of West Virginia, and the Appalachian Region, appreciation to the United States Congress for the efforts during the past year to continue the work of the Appalachain Regional Commission rather than see it brought to an abrupt halt.

The progress achieved through the efforts of the ARC was well documented in the recent report submitted to Congress by the Thirteen (13) Appalachian Governors. The overall progress, in terms of economic and social conditions in the region and in the State of West Virginia, has been significant. That progress is well documented by parameters such as per capita income, educational statistics, housing, health and community facilities, alike. Those statistics, however, further demonstrate that the job is not yet done. The Appalachian Development Highway System is, in my view, one of the areas of greatest need to this region. It is through an improved transportation network, linking Appalachia to the rest of this country, that those variables called social and economic improvement can be effected. It is to that specific

subject that I desire to direct my comments to this Committee.

Philosophically, I believe that the evaluation of any governmental program has to begin with the question; "Is this program in the interest of the region served by that entity of government?" Once that question is answered, it becomes a matter of priority ranking in terms of government goals to meet its citizens' needs. The attainment of those goals in terms of timing and scheduling then must be linked to the resources available to society at a given point in time.

The Appalachian Development Highway System clearly meets that criteria stated above. The Appalachian Development Highway System is a matter of national interest. Facts in that regard speak for themselves. Clearly, a Region comprised of almost Two Hundred Thousand (200,000) square miles and One Tenth (1/10) of this nation's population, cannot be excluded from the continued growth of the rest of the nation. The Appalachian Development Highway System provides a link-up with the rest of this nation.

The total Appalachian Development Highway System comprises some Three Thousand Twenty-five (3,025) miles throughout the Thirteen (13) states involved. Of that amount more than One Thousand Seven Hundred Thirty (1,730) miles have been completed and are open to traffic. The effect of these completed miles upon the region can be exemplified by what has

transpired in my own state of West Virginia since the beginning of the Appalachian Development System in 1965.

Currently, the mileage of the Appalachian Development System in West Virginia is Four Hundred Twenty-Six (426) miles. Of that, Two Hundred Sixty-Two (262) miles have been opened to traffic. Those Appalachian Corridor Highways in the State of West Virginia, working in conjunction with the Interstate Highway System, provide connections between industrial development sites within the State and industrial centers throughout the eastern part of the United States. The change directly attributable to this transportation improvement during the last Sixteen (16) years is significant. To enumerate a few:

(1) TRAVEL TIMES AND ACCESSIBILITY - One of the most significant parameters, as relates to location of industrial growth, are travel times required between major population centers. Travel time improvement changes, as a direct result of the Appalachian Highway Development System throughout West Virginia, are shown by Table No. 1 for trips from selected points in West Virginia to its borders. Further significant changes can be seen when these travel times are examined from selected points to major

population centers outside West Virginia. Table No. 2 presents this data.

Travel times and accessibility have a pronounced effect upon an industry's decision to locate in a given area. A 1975 update of a study performed in 1969 of the impact of an improved transportation system on new plant locations has shown that in excess of Fifty-Six Percent (56%) of all new plant locations in the region were within Ten (10) minutes of an Appalachian Highway Corridor or other major expressway facility such as an Interstate highway.

(2) HIGHWAY AND TRAFFIC SAFETY -- The Appalachian Highway System has provided a major improvement in traffic accident reduction. In the past two years (1979-1980) the accident rate on all corridors was Ninety-Six (96) accidents per hundred million vehicle miles. That rate, when compared to the statewide rural primary highway rate of Three Hundred Sixty-Three (363) accidents per hundred million vehicle miles, is a significant reduction. At current rates of travel, that results in

Eleven Hundred (1,100) less accidents per year.

Projecting these rates into the future and assuming the completion of the highway system, a reduction in the number of accidents could be estimated to be Nineteen Hundred (1,900) less accidents per year.

These highway related facts as noted have had a pronounced effect upon our State in terms of both economic growth and the well-being of our citizens. This growth is characterized by a number of indications, among which are:

(1) Per capita income has risen from Seventy-Eight Percent (78%) to Eighty-Five Percent (85%) of the national average.

(2) More than 1.5 million new jobs were created between 1965 and 1978.

(3) The poverty level has declined from more than Thirty-One Percent (31%) to Fourteen Percent (14%) of the people in this region, and is moving toward the national average.

(4) The pattern of outmigration has been reversed. During the 1950's, the region lost One-Eighth (1/8) of its population to outmigration; by the 1970's, inmigration had brought the population growth rate up near the national average.

WEST VIRGINIA'S POPULATION CHANGE -- During the period of 1960 through 1970, trends in population in the State of West Virginia demonstrated a decline statewide of Six and Two Tenths Percent (6.2%). The period of 1970 through 1980 demonstrated a significant reversal of that trend, wherein the State population advanced throughout that period by Ten and Seven Tenths Percent (10.7%). Even more significant is the growth of those counties traversed by the Appalachian Development Highway System. During the period from 1970 through 1980, those counties contiguous to Appalachian Highway Corridors had a positive growth rate in population of Fourteen Percent (14%), while those counties without direct access averaged an Eight and Nine Tenths Percent (8.9%) increase in population.

The ability to realize the potential of energy development in the Appalachian Region through the use of coal can, and will, have a profound effect upon the continued national goal of energy independence. In West Virginia alone some Thirty-Seven (37) to Thirty-Nine (39) Billion tons of recoverable reserve exists. The Appalachian Regional Commission Development Highway System will play a major role in the mining and the movement of that valuable resource.

The report recently submitted by the Appalachian Regional Commission to the Congress addresses the subject of a finish-up program. The outstanding need relative to that finish-up program can be well demonstrated by a review of the status of the Appalachian Corridor Highway System in West Virginia. The status of that system and the effect of not having a "finish-up program" can, I believe, best be demonstrated by a review of the map and photographs taken just a few months ago, which demonstrate visually and dramatically what would occur if that program is not continued.

Referring to the map of the State of West Virginia, included as FIGURE NO. 1, it is readily apparent that Three (3) of the Appalachian Corridors in West Virgnia remain uncompleted. To be completed are:

120 Miles on Corridor "H"

36 Miles on Corridor "G"

7 Miles on Corridor "D"

Corridor "G" as an example, is located in southern West Virginia. The status of that Corridor well demonstrates the overall need for continuation of this vital program. Referral to FIGURE NO. 2, will identify that portion of West Virginia Corridor "G". The map also demonstrates segments that have been completed, those under construction, and those which are not underway at this time.

Referring to the photographs that are included in the report placed before this Committee, the status of Corridor "G" construction in West Virginia may be seen. PHOTOGRAPH NO. 1, illustrates the recently completed state line crossing bridge between Kentucky and West Virginia at Williamson. The uncompleted segment extending northward from the end of the completed bridge is intended to continue with a rock-cut through the mountainous area shown in the upper part of the photograph. Without the continuation of the Appalachian Corridor Highway System Program, this project linking this br dge with a completed segment some Seven and One-Half (7 1/2) miles to the north, will not be done.

Traversing that completed segment shown by the map toward Charleston, one finds next, a gap of some Fifteen (15)

miles around the City of Logan that will not be done if the Program is not continued.

Proceeding on, a completed segment extends north to the Town of Madison. Approaching Madison, conditions encountered as one traverses from the completed segment to the next gap is depicted by PHOTOGRAPHS NO. 2, 3, and 4. The uncompleted section shown by PHOTOGRAPH NO. 4, will not be done unless this Program is continued.

Some Six and One-Half (6 1/2) miles northward, yet another completed segment of Nine and One-Half (9 1/2) miles is encountered. This Nine and One-Half (9 1/2) mile segment was opened to traffic in the Fall of 1981. An aerial view of this completed section is shown by PHOTOGRAPH NO. 5.

Immediately north of this completed segment, Three (3) projects are under construction. These projects were advertised and awarded in a phased construction sequence. That is to say, that in order to minimize the effect of inflation and uncertainty in the bidding process, these Three (3) projects were awarded for the grading and draining portion of the construction, only. Paving of these Three (3) projects was planned to be by another contract, upon completion of the grading and draining contracts. This paving project was planned to be advertised and awarded in the Spring of 1982, and is shown by the aerial photograph taken less than two months

ago, by PHOTOGRAPH NO. 6.

The status of this paving project clearly demonstrates the effect of uncertainty regarding the continuation of the Appalachian Regional Commission. Currently, the obligation authority based upon annual apportionment to West Virginia does not provide sufficient funds with which to start this paving project. Thus, the long-planned sequencing and scheduling of this project is now in doubt. Obviously, at this point, the State of West Virginia must, if this uncompleted section is to be made usable, find some other source of funding in order to initiate that project in the Spring of 1982. This will require use of a significant portion of West Virginia's regular Federal Aid Primary apportionment in order to supplement the inadequate level of ARC funds available.

Immediately to the north of this project just discussed, there exists yet another gap that is not yet under construction. That gap will not be completed unless this Program is continued.

The above discussion, together with the photographs and map sketches referenced, serves as an example of the current status of the Appalachian Corridor Highway System. It is also indicative of the frustration that results when years of planning develops a long-term partnership between Federal, State, and local government to accomplish a consistent

transportation program and then to find one partner leaving that partnership.

Planning and sequencing of highway projects is one that takes years of study and effort. Those efforts are directed toward sequencing the construction of those segments of long corridors which can serve the areas of highest need and provide usable segments of roadway at the earliest possible time. Our Corridors have been established, our plans are completed or in process, and we have completed vital sections based upon those plans. Thus, certain segments are constructed and open to traffic before others and gaps in the system exist. Under normal circumstances, the resulting gaps offer minimal concern, in that it is understood that the long-range goals of both Federal and State government is to complete those gaps.

Should the Appalachian Finish-Up Program not be adopted, gaps in the Appalachian Corridor Highway System as exemplified by this status review of Corridor "G" in southern West Virginia, will not be completed. The State of West Virginia for example, cannot within its limited resources, build projects unilaterally of this magnitude. Without the completion of these segments, the full potential for continued growth and development, and for improvement in social conditions in Appalachia, will not be achieved. An abrupt withdrawal from the implied partnership role by the Federal

government will result in a regression of the accomplishment achieved in the last Seventeen (17) years. Thus, the investment committed to the Thirteen (13) state regions known as Appalachia will not achieve the potential intended.

Mr. Chairman, the Finish-Up Program submitted by the Appalachian Regional Commission is vital to the future of not only this Region, but our Nation.

Thank you very much.

TABLE NO. 1

COMPARISON OF MILEAGE AND TIME

FROM SELECTED CITIES IN WEST VIRGINIA TO STATE BORDERS

CORRIDOR	DESCRIPTION	APPALACHIAN MILEAGE	ORIGINAL MILEAGE	APPALACHIAN TIME (MINUTES)	ORIGINAL TIME (MINUTES)	TIME SAVING (MINUTES)
CORRIDOR D	CLARKSBURG TO OHIO STATE LINE	76	94	83	141	58
CORRIDOR E	MORGANTOWN TO MARYLAND STATE LINE	31.8	36	35	54	19
CORRIDOR G	CHARLESTON TO KENTUCKY STATE LINE	82.8	98	90	147	57*
CORRIDOR H	WESTON TO VIRGINIA STATE LINE	138.9	151	152	227	75*
CORRIDOR L	BECKLEY TO I-79 SUTTON	69.7	115	76	173	97
CORRIDOR Q	BLUEFIELD TO VIRGINIA STATE LINE	27.0	28	29	42	13

* WHEN COMPLETED

TABLE NO. 2

SAVINGS IN TRAVEL TIME FROM POINTS IN WEST VIRGINIA

TO MAJOR POPULATION CENTERS

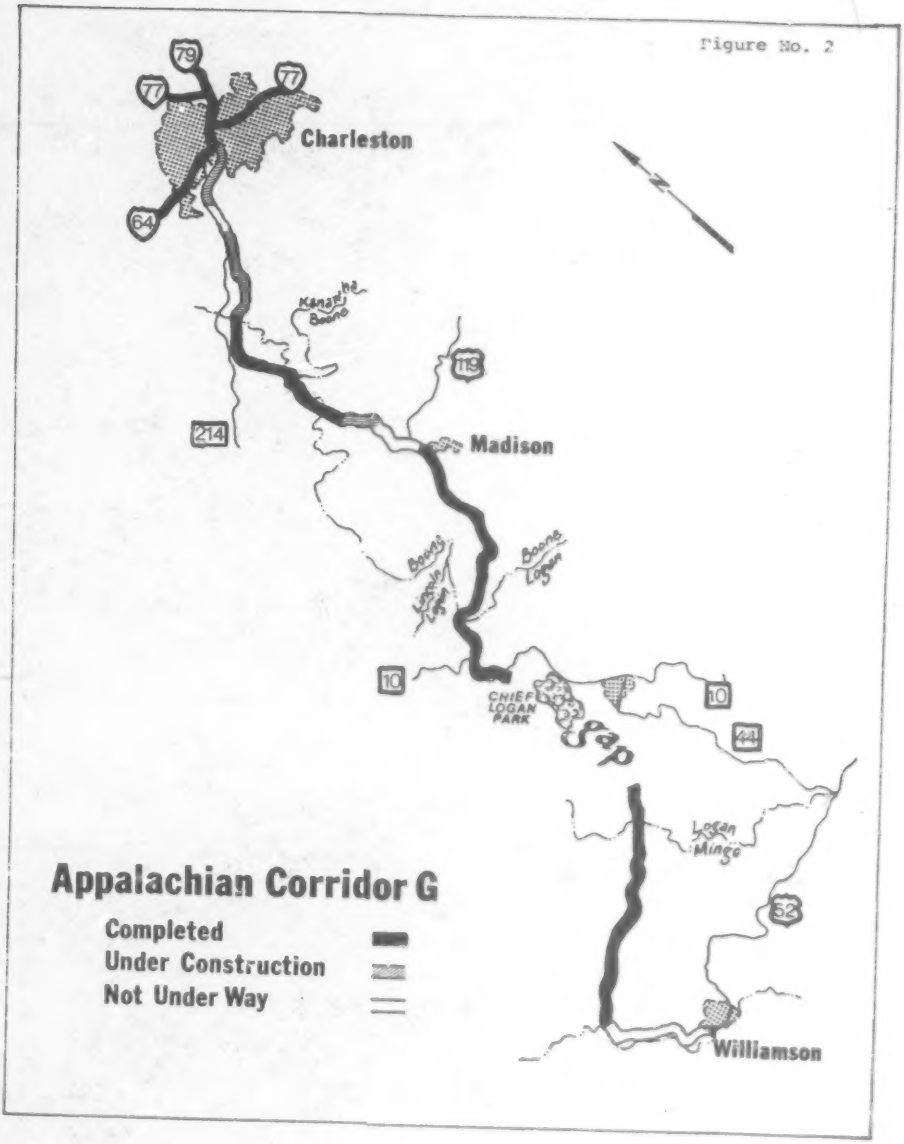
CORRIDOR	DESCRIPTION	TRAVEL MILES FROM CITY TO CITY	TIME SAVED IN MINUTES PER TRIP	TIME SAVED IN HOURS PER TRIP
CORRIDOR E	MORGANTOWN TO WASHINGTON	220	92.4	1.54
CORRIDOR H	CHARLESTON TO WASHINGTON	379	159.2	2.65
CORRIDOR D	PARKERSBURG TO CLARKSBURG	54	22.7	0.38
	PARKERSBURG TO WASHINGTON	283	118.9	1.98
CORRIDOR G	CHARLESTON TO WILLIAMSON	111	46.6	0.78
	CHARLESTON TO KNOXVILLE	330	138.6	2.31
CORRIDOR L	BECKLEY TO MORGANTOWN	151	63.4	1.06
	BECKLEY TO PITTSBURGH	182	76.4	1.27
CORRIDOR Q	BLUEFIELD TO ROANOKE	79	33.2	0.55
	LEXINGTON TO ROANOKE	353	148.3	2.47

1. TRAVEL MILES ARE THOSE RECOMMENDED BY AAA.
2. THESE CALCULATIONS ASSUME NO CHANGE IN TRAVEL DISTANCE. THIS MAKES THE RESULTS CONSERVATIVE SINCE COMPLETION OF THE APPALACHIAN CORRIDORS ACTUALLY SHORTEN DISTANCE. I.E., COMPLETION OF "H" WILL MAKE THE CHARLESTON TO WASHINGTON TRIP 323 MILES.

Figure No. 1

INTERSTATE AND APPALACHIAN
HIGHWAY SYSTEM
WEST VIRGINIA
WEST VIRGINIA DEPARTMENT OF HIGHWAYS
1979
INTERSTATE ROUTE
APPALACHIAN ROUTE
PENNSYLVANIA
MARYLAND
VIRGINIA
WEST VIRGINIA
OHIO
KENTUCKY

Figure No. 2


79
77
77
Charleston
64
Kanawha
Boone
119
214
Madison
Boone
Logan
10
CHIEF
LOGAN
PARK
Gap
10
44
Logan
Mingo
52
Williamson
Appalachian Corridor G
Completed
Under Construction
Not Under Way

Photograph No. 1

Photograph No. 2

Photograph No. 3

Photograph No. 4

Photograph No. 5

Photograph No. 6

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Prepared Statement of Hon. Fob James, Governor of Alabama

I cannot speak for the other 12 Appalachian Governors on their reason for supporting the Appalachian Regional Commission's finish-up program, but my own is quite simple. Through ARC we can tailor the use of federal dollars, mixed with our own Alabama dollars, to put Alabama people in good private sector jobs.

And we need jobs badly in Alabama, which has the second highest unemployment rate among the 50 states, 14.7 percent.

Having had some experience as an industrialist before becoming Governor of Alabama I think I know something about what a community, state or region must offer to help businesses and industries create jobs.

Nothing is more important than a work force that is trainable and productive. More than most folks, the people of Alabama have the heart to work hard, but willingness to work is not enough. They need training for jobs and they must have certain minimum reading, writing and arithmetic skills before they are even trainable for jobs in today's world.

So when I became Governor, I did everything possible to improve basic education and training for specific jobs that could be opened up if we could provide a trained work force.

As necessary as the basic education and the job training are, there are not many places a Governor can turn to get the needed resources. Even when money is available, it is often so tied up in bureaucratic red tape that you can't get it in time. The moment of opportunity has passed before you can get the training set up.

That's where the ARC way of doing business and the flexible ARC dollars came in. We could meet our real needs without a lot of red tape, not do what someone off in Washington thought we ought to do.

Our basic education for children has worked well. It's a good investment, but it does not pay off in jobs fast enough to qualify for the short-range finish-up program.

We do have our Alabama Industrial Development Training Program. Under this program we upgrade the work force by recruiting, training, placing and upgrading workers for specific jobs. Sometimes this makes it possible for a new industry to start up. We work step-by-step with them so that they have a trained worker ready to go when they open up.

In other cases, we make it possible for an industry to survive, prosper and grow. In one case, our training enabled a company to increase productivity 33 percent in six weeks. That's saving them $500,000 per year.

The ARC finish-up program would give us the help we need to train enough people and do the other things to create jobs so we could continue our progress without ARC help by the end of the phase-out period.

PREPARED STATEMENT OF HAREY HAACK, DEPUTY SECRETARY FOR PLANNING, PENNSYLVANIA DEPARTMENT OF TRANSPORTATION

INTRODUCTION

THE APPALACHIAN DEVELOPMENT HIGHWAY PROGRAM HAS BEEN EXTREMELY IMPORTANT TO PENNSYLVANIA. OF THE TOTAL 3,033 MILE APPALACHIAN DEVELOPMENT HIGHWAY SYSTEM, 17 PERCENT LIES WITHIN THE COMMONWEALTH OF PENNSYLVANIA. FURTHERMORE, OF THE $2.7 BILLION AUTHORIZED BY CONGRESS FOR THE APPALACHIAN DEVELOPMENT HIGHWAY PROGRAM TO DATE, PENNSYLVANIA HAS RECEIVED $421 MILLION MAKING US ONE OF THE LARGEST BENEFICIARIES IN THE APPALACHIAN REGION.

EVEN WITH THE PROGRESS THUS FAR, PENNSYLVANIA STILL HAS THE LARGEST PORTION OF UNCOMPLETED APPALACHIAN DEVELOPMENT HIGHWAYS. MORE THAN 293 MILES REMAIN TO BE COMPLETED. IT WOULD TAKE AN ESTIMATED $2.0 BILLION TO UPGRADE THIS MILEAGE TO APPALACHIAN DEVELOPMENT HIGHWAY STANDARDS.

BUT WE UNDERSTAND THAT RESOURCES ARE NOW EXTREMELY TIGHT. AS A MATTER OF FACT, WE FELT THE PINCH AT THE STATE LEVEL LONG BEFORE BALANCING THE BUDGET BECAME A PRIORITY NATIONAL ISSUE. A COMBINATION OF FACTORS INCLUDING DECLINING GASOLINE CONSUMPTION, RISING RATES OF INFLATION, AND DEBILITATING LEVELS OF DEBT SERVICE LEFT PENNSYLVANIA'S HIGHWAY PROGRAM IN FISCAL CHAOS DURING THE LATE 70'S. IN RESPONSE, A MORATORIUM WAS PLACED ON ALL NEW HIGHWAY CONSTRUCTION IN 1977. IN THE TWO-YEAR PERIOD FOLLOWING, PENNSYLVANIA EITHER LOST OR LOANED TO OTHER STATES A TOTAL OF $75 MILLION IN APPALACHIAN DEVELOPMENT HIGHWAY FUNDS BECAUSE THE COMMONWEALTH WAS UNABLE TO FINANCE THE NON-FEDERAL SHARE.

PENNSYLVANIA'S PRESENT PROGRAM

OVER THE PAST THREE YEARS, PENNSYLVANIA HAS GOTTEN ITS HOUSE IN ORDER. HIGHWAY REVENUE LEGISLATION HAS BEEN ENACTED IN THREE SUCCESSIVE SESSIONS RESULTING IN ONE OF THE MOST STABLE STATE HIGHWAY BASES IN THE COUNTRY. PENNSYLVANIA HAS HAD SUFFICIENT MATCHING MONEY TO USE EVERY APPALACHIAN DEVELOPMENT HIGHWAY DOLLAR ALLOCATED SINCE 1979 PLUS SOME $48 MILLION PAID BACK FROM LOANS TO OTHER STATES.

TODAY, PENNSYLVANIA HAS A LIMITED BUT RESPONSIBLE APPALACHIAN DEVELOPMENT HIGHWAY PROGRAM. WORK IS ONLY PROCEEDING ON THE HIGHEST PRIORITY SEGMENTS WITH PROJECT DEVELOPMENT RESTRICTED TO SEGMENTS WHICH CAN BE COMPLETED WITHIN TRADITIONAL FUNDING LEVELS. FOR PENNSYLVANIA THIS HAS BEEN APPROXIMATELY $50 MILLION PER YEAR.

ASSUMING $50 MILLION PER YEAR OVER A TWELVE-YEAR PERIOD, PENNSYLVANIA DEVELOPED A PROGRAM THAT WOULD COMPLETE ANOTHER 72 MILES OF ITS APPALACHIAN HIGHWAY SYSTEM. PROJECTS INCLUDED:

- 6.2 MILES OF U.S. 220 IN BLAIR COUNTY AT A COST OF $89 MILLION (CORRIDOR O);
- 17.0 MILES OF U.S. 22 IN BLAIR AND CAMBRIA COUNTI AT A COST OF $156 MILLION (CORRIDOR M);
- 7.5 MILES OF THE SOUTHERN TIER EXPRESSWAY IN ERIE COUNTY AT A COST OF $54 MILLION CLOSING THE GAP IN NEW YORK'S 246 MILE CONNECTION TO INTERSTATE 90 NEAR ERIE (CORRIDOR T);
- 31.2 MILES OF U.S. 15 IN LYCOMING AND TIOGA COUNTIES AT A COST OF $176 MILLION (CORRIDOR U);
- 4.8 MILES OF PA. ROUTE 66 IN WESTMORELAND COUNTY AT A COST OF $48 MILLION (CORRIDOR M);
- REPLACEMENT OF THE CLARK'S FERRY BRIDGE ACROSS THE SUSQUEHANNA RIVER BETWEEN DAUPHIN AND PERRY COUNTIES AT A COST OF $34 MILLION (CORRIDOR M); AND

- 3.6 MILES OF U.S. 219 IN SOMERSET COUNTY AT A COST OF $32 MILLION (CORRIDOR N).

THESE HIGH PRIORITY PROJECTS WOULD HAVE CONSUMED THE ENTIRE $600 MILLION IN APPALACHIAN DEVELOPMENT HIGHWAY FUNDS ANTICIPATED TO BE MADE AVAILABLE OVER THE TWELVE-YEAR PERIOD THROUGH 1992.

PROPOSED FINISH-UP PROGRAM

THE APPALACHIAN REGIONAL COMMISSION'S (ARC) PROPOSED FINISH-UP PROGRAM WOULD ENABLE PENNSYLVANIA TO COMPLETE MOST OF THE PROJECTS IN OUR TWELVE-YEAR PROGRAM. THE ARC PROPOSAL WOULD PROVIDE PENNSYLVANIA WITH A TOTAL OF $400 MILLION. 50 MILES OF HIGHWAY COULD BE COMPLETED WITH THESE FUNDS AND ANOTHER 27 MILES WOULD HAVE TO BE COMPLETED FROM OTHER FUNDING SOURCES UNDER THE ARC PROPOSAL.

THIS IS A GENEROUS PROPOSAL THAT PENNSYLVANIA COULD EASILY LIVE WITH GIVEN PRESENT ECONOMIC CIRCUMSTANCES.

ADMINISTRATION PROPOSAL

THE REAGAN ADMINISTRATION PROPOSED AN APPALACHIAN DEVELOPMENT HIGHWAY BUDGET WHICH WOULD STILL ALLOW COMPLETION OF THE EXPENSIVE COMPLEX WHERE U.S. ROUTES 22 AND 220 CROSS IN BLAIR COUNTY NEAR ALTOONA. COMPLETION OF THIS $246 MILLION COMPLEX WILL FINALLY PROVIDE A MODERN ROADWAY LINKING ALTOONA WITH THE NATION'S INTERSTATE HIGHWAY SYSTEM. TODAY, ALTOONA WITH A POPULATION OF 79,000 PEOPLE IS THE ONLY URBANIZED AREA IN THE COUNTRY OVER 50,000 IN POPULATION WHICH IS NOT SERVED BY THE NATION'S INTERSTATE HIGHWAY SYSTEM.

IN THE NORTHWESTERN PORTION OF PENNSYLVANIA, A 7-MILE GAP WHICH STILL EXISTS IN AN OTHERWISE COMPLETED 253 MILE SOUTHERN TIER EXPRESSWAY WOULD REQUIRE AN ADDITIONAL $54 MILLION. OF THIS $54 MILLION, $12 MILLION IS FOR THE CONNECTION WITH INTERSTATE 90. PREVIOUSLY IT WAS ASSUMED THIS CONNECTION WOULD BE FUNDED WITH INTERSTATE CONSTRUCTION MONEY. HOWEVER, UNDER THE 1981 HIGHWAY ACT THIS INTERCHANGE IS NO LONGER ELIGIBLE FOR INTERSTATE CONSTRUCTION FUNDS.

SUMMARY

IN SUMMARY, THE ABSOLUTE MINIMUM REQUIRED TO MAKE WORK PRESENTLY UNDER CONSTRUCTION USEABLE IS $34 MILLION. THIS WOULD COMPLETE THE COMPLEX NEAR ALTOONA. ANOTHER $54 MILLION WOULD BE REQUIRED TO CLOSE THE SEVEN-MILE GAP IN THE SOUTHERN TIER EXPRESSWAY STRETCHING ACROSS MOST OF THE STATE OF NEW YORK. ANY FUNDS MADE AVAILABLE IN ADDITION TO THESE WOULD BE USED ACCORDING TO THE PRIORITIES MENTIONED EARLIER AND FOUND IN SUMMARY FORM IN ATTACHMENT "A".

ATTACHMENT A

TWELVE YEAR TRANSPORTATION PROGRAM

APPALACHIAN DEVELOPMENT PROGRAM

COUNTY	L.R./(Section)	PROJECT	TR	MILES	IMPROVEMENT/LOCATION	APD Corr.	TOTAL COST
Erie	1126(C04)	Southern Tier Expressway		3.9	4 lane divided relocation Harborcreek-Greenfield Twp.	T	25,183
Erie	1126(C05)	Southern Tier Expressway		3.6	4 lane divided relocation PA 89 to New York	T	29,000
Lycoming	1036(A10)	Appalachian Thruway	US 15	3.3	4 lane divided relocation Foy Avenue to Oaklynn	U	34,461
Lycoming	1036(A20)	Appalachian Thruway	US 15	2.8	2 lane relocation, 4 lane R/W Oaklynn - South of Powys	U	14,718
Lycoming	1036(A30)	Appalachian Thruway	US 15	4.5	2 lane relocation, 4 lane R/W South of Powys to Trout Run	U	35,888
Lycoming	1073(D17)	Appalachian Thruway	US 220	0.6	Reconstruct creek bank Adjacent to Loyalsock Creek	P	502
Tioga	1036(D51)	Appalachian Thruway	US 15	3.5	2 lane relocation, 4 lane R/W North of Liberty	U	15,444
Tioga	1036(D53)	Appalachian Thruway	US 15	3.4	2 lane relocation, 4 lane R/W South of Blossburg	U	11,835
Tioga	1036(D52)	Appalachian Thruway	US 15	4.5	2 lane relocation, 4 lane R/W South of Mansfield	U	19,452
Tioga	1036(D54)	Appalachian Thruway	US 15	3.1	2 lane relocation, 4 lane R/W South Covington - Canoe Camp	U	7,770
Tioga	1036(E60)	Appalachian Thruway	US 15	3.6	2 lane relocation, 4 lane R/W West of Mansfield	U	22,436
Tioga	1036(G20)	Appalachian Thruway	US 15	1.9	2 lane relocation, 4 lane R/W North of Tioga	U	15,628
Dauphin	1089(B05)	Clarks Ferry Bridge	US 22	1.9	4 lane bridge relocation Over Susquehanna River	M	34,340

TWELVE YEAR TRANSPORTATION PROGRAM

APPALACHIAN DEVELOPMENT PROGRAM

COUNTY	L.R./(Section)	PROJECT	TR	MILES	IMPROVEMENT/LOCATION	APD Corr.	TOTAL COST
Blair	1061(B03)	Appalachian Thruway	US 220	1.2	4 lane divided relocation Newry to Hamill Hill	O	9,539
Blair	1061(C4B)	Appalachian Thruway	US 220	1.7	4 lane divided relocation Route 22 to Cross Keys	O	27,077
Blair	1061(D05)	Appalachian Thruway	US 220	1.6	4 lane divided relocation Cross Keys to Goods Lane	O	19,808
Blair	1061(E06)	Appalachian Thruway	US 220	1.4	4 lane divided relocation Goods Lane - Frankstown Road	O	20,750
Blair	1061(F07)	Appalachian Thruway	US 220	0.3	4 lane divided relocation Frankstown-Jaggard Street	O	12,202
Blair	1101(H01)	William Penn Highway	US 22	2.7	4 lane divided relocation Cambria County Sugar Run Road	M	21,056
Blair	1101(K02)	William Penn Highway	US 22	3.3	4 lane divided relocation Sugar Run Road Carson Valley	M	31,520
Blair	1101(L03)	William Penn Highway	US 22	1.9	4 lane divided relocation Carson Valley - Cross Keys	M	26,279
Cambria	1101(F09)	William Penn Highway	US 22	2.4	4 lane divided relocation Lake Rowena to Munster	M	25,856
Cambria	1101(F10)	William Penn Highway	US 22	3.3	4 lane divided relocation Munster to Cresson	M	17,535
Cambria	1101(G11)	William Penn Highway	US 22	3.4	4 lane divided relocation Cresson to Blair County Line	M	33,945
Somerset	1022(B08)	North Star Way	US 219	3.6	2 lane relocation, 4 lane R/W Vicinity of Myersdale	N	32,211
Westmoreland	69(B3)	North-South Expressway	PA 66	3.4	4 lane divided relocation Greengate to Alvine	M	36,759
Westmoreland	120	North-South Expressway	US 30	1.4	Construct Interchange West of Greensburg	M	11,373
					TOTAL		590,567

MAR 26, 1982
REPORT: ROYTAY01

ATTACHMENT B

PENNSYLVANIA DEPARTMENT OF TRANSPORTATION
PROJECTS AWARDED BETWEEN 1 JANUARY 1979 AND 3 MARCH 1982
APPALACHIAN DEVELOPMENT PROJECTS ONLY

COUNTY PMS REF NBR	L.R. (SEC)	T.R.	PROJECT DESCRIPTION AND GEOGRAPHIC LOCATION	LENGTH	AWARD DATE	AWARD AMOUNT (000) STATE	FEDERAL	OTHER	TOTAL
DISTRICT									
2 CLINTON									
CLINTON 023P002	1044 (A05)	220	THIS PROJECT IS A COMPANION TO LR 58 SPG SEC1A	4.5	5/10/79	11!	2,015	749	2,879
DIST TOTAL				4.5		11!	2,015	749	2,879
COUNT									1

PENNSYLVANIA DEPARTMENT OF TRANSPORTATION
PROJECTS AWARDED BETWEEN 1 JANUARY 1979 AND 3 MARCH 1982
APPALACHIAN DEVELOPMENT PROJECTS ONLY

COUNTY / PMS REF NBR	L.R. (SEC)	T.R.	PROJECT DESCRIPTION AND GEOGRAPHIC LOCATION	LENGTH	AWARD DATE	AWARD AMOUNT (000) STATE	FEDERAL	OTHER	TOTAL
DISTRICT									
3 LYCOMING									
LYCOMING 032C032	1073 (816)	220	TR 220 4 LANE RELOCATION RIVER AVE TO WARRENSVILLE RD. TWO SEPARATE CONSTRUCTION CONTRACT. LET 6/13/79 AND 12/20/79.	2.3	1/16/80	6,97	17,793		24,769
DIST TOTAL				2.3		6,97	17,793		24,769
COUNT									1

PENNSYLVANIA DEPARTMENT OF TRANSPORTATION
PROJECTS AWARDED BETWEEN 1 JANUARY 1979 AND 3 MARCH 1982
APPALACHIAN DEVELOPMENT PROJECTS ONLY

COUNTY PMS REF NBR	L.R. (SEC)	T.R.	PROJECT DESCRIPTION AND GEOGRAPHIC LOCATION	LENGTH	AWARD DATE	AWARD AMOUNT (000) STATE	FEDERAL	OTHER	TOTAL
DISTRICT									
9 BEDFORD									
BEDFORD 091C011A	1061 (04D)	220	STABILIZE EXISTING WATER COURSE UNDER SOUTHBOUND LANE OF LR 1061(4) TO A POINT APPROX. 1 MILE DOWNSTREAM	.1	10/23/80	16[illegible]	659		824
BLAIR									
BLAIR 092C010	1061 (C4A)	220	APPALACHIA THRUWAY HAMILLS TO ROUTE 22 DUNCANSVILLE	.9	11/29/79	1,41[illegible]	3,303		4,719
BLAIR 092C011	1061 (C4D)	220	APPALACHIA THRUWAY ROUTE 22 TO CROSS KEYS NORTH OF DUNCANSVILLE. 4 LANE RELOCATION.	1.8	3/ 2/82	4,12[illegible]	16,492		20,615
BLAIR 092C018	1101 (H01)	22	WM PENN HIGHWAY RELOCATION CAMBRIA CO TO SUGAR RUN	3.1	9/ 3/80	3,54[illegible]	14,158		17,693
BLAIR 092C019	1101 (K02)	22	WM PENN HIGHWAY SUGAR RUN TO CARSON VALLEY 4 LANE RELOCATION	3.3	3/ 9/82	4,08[illegible]	16,317		20,397

PENNSYLVANIA DEPARTMENT OF TRANSPORTATION
PROJECTS AWARDED BETWEEN 1 JANUARY 1979 AND 3 MARCH 1982
APPALACHIAN DEVELOPMENT PROJECTS ONLY

COUNTY / PMS REF NBR	L.R. (SEC)	T.R.	PROJECT DESCRIPTION AND GEOGRAPHIC LOCATION	LENGTH	AWARD DATE	AWARD AMOUNT (000) STATE	FEDERAL	OTHER	TOTAL
DISTRICT									
BLAIR									
BLAIR 092C020	1101 (L03)	22	WM PENN HIGHWAY RELOCATION CARSON VALLEY TO CROSSKEYS	2.0	7/21/81	4,48	17,936		22,420
CAMBRIA									
CAMBRIA 093C024	1101 (F09)	22	WM PENN HIGHWAY- LAKE ROWENA TO MUNSTER; 4 LANE DIVIDED RELOCATION.	2.4	1/12/82	3,70	14,825		18,532
CAMBRIA 093C025	1101 (F10)	22	WM PENN HIGHWAY- MUNSTER TO CRESSON.	3.4	10/21/80	3,04	12,168		15,210
CAMBRIA 093C026	1101 (G11)	22	WM PENN HIGHWAY RELOCATION CRESSON TO BLAIR CO LINE	3.8	12/ 8/81	5,711	22,843		28,554
DIST TOTAL				20.8		30,26	118,781		148,969

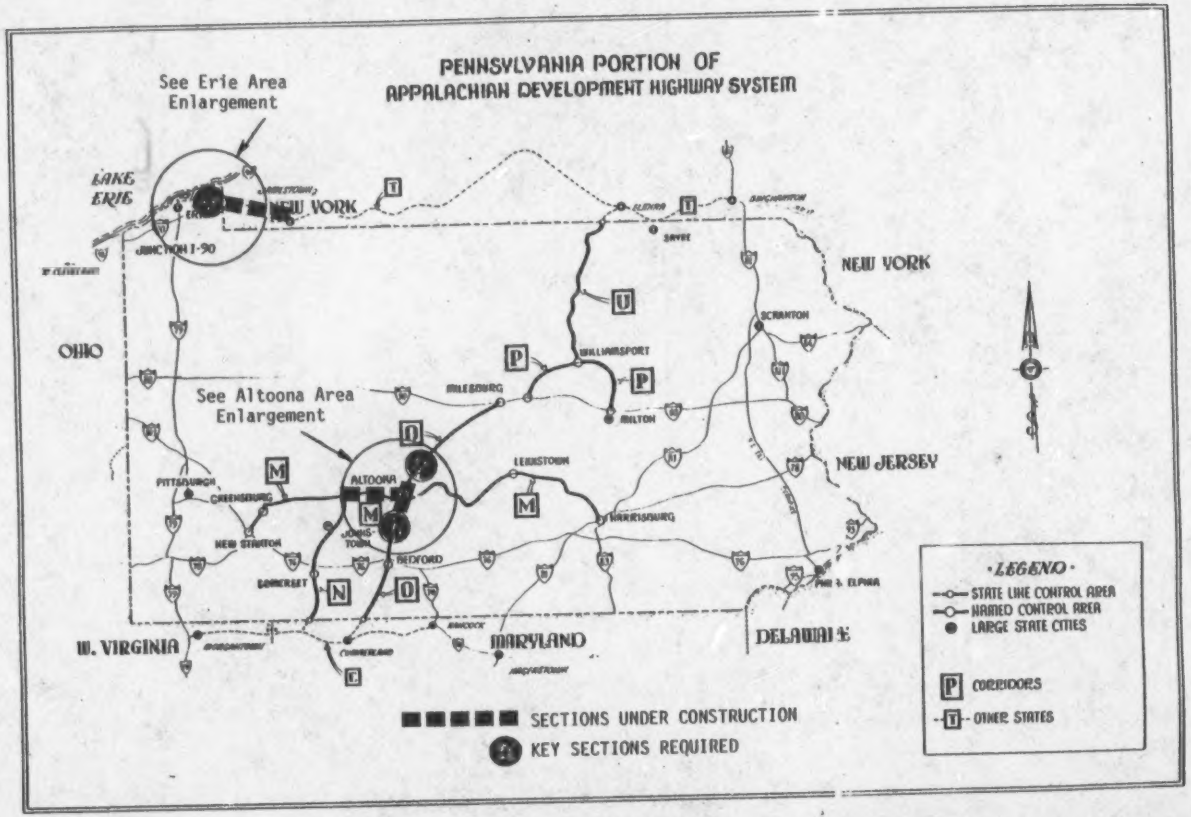
PENNSYLVANIA DEPARTMENT OF TRANSPORTATION
PROJECTS AWARDED BETWEEN 1 JANUARY 1979 AND 3 MARCH 1982
APPALACHIAN DEVELOPMENT PROJECTS ONLY

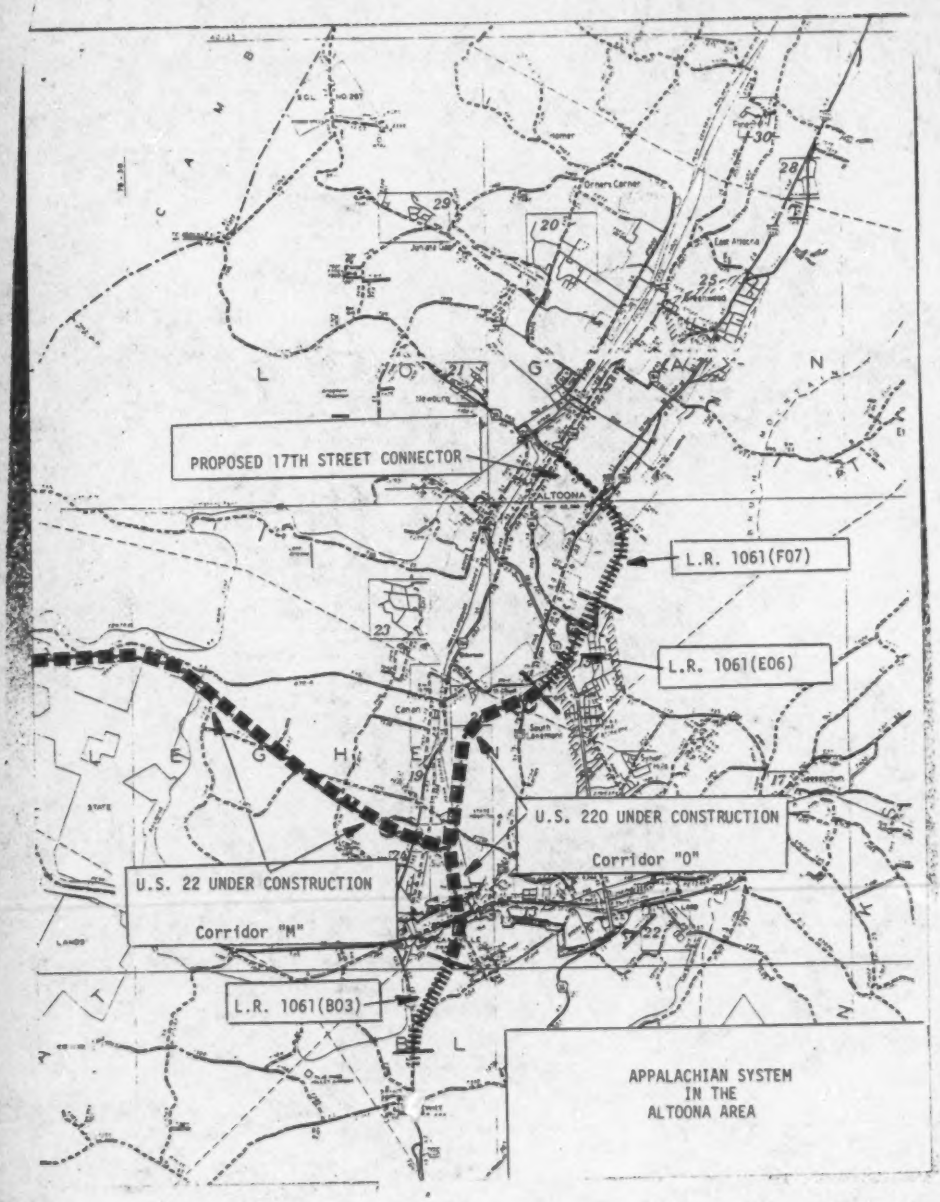
COUNTY / PMS REF NBR	L.R. (SEC)	T.R.	PROJECT DESCRIPTION AND GEOGRAPHIC LOCATION	LENGTH	AWARD DATE	AWARD AMOUNT (000) STATE	FEDERAL	OTHER	TOTAL
DISTRICT									
CAMBRIA									
COUNT									

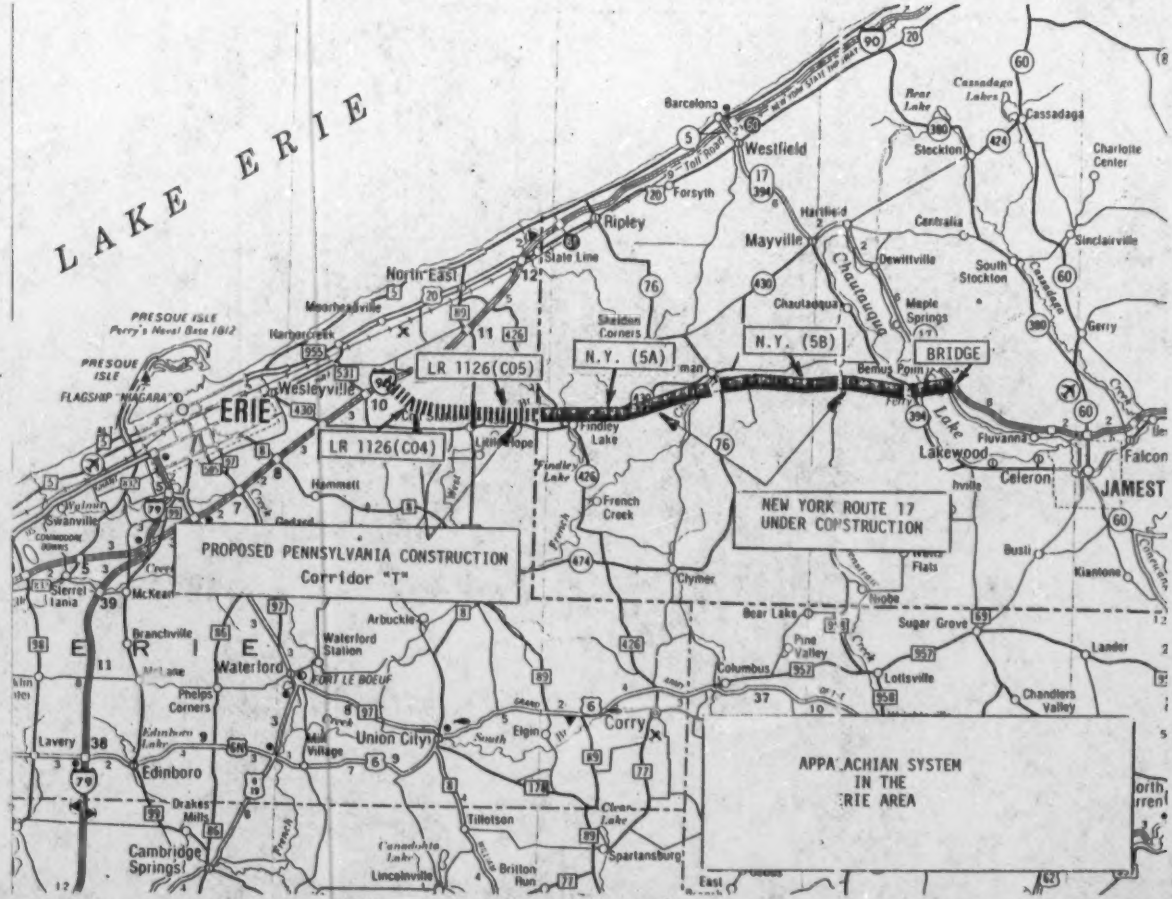
PENNSYLVANIA DEPARTMENT OF TRANSPORTATION
PROJECTS AWARDED BETWEEN 1 JANUARY 1979 AND 3 MARCH 1982
APPALACHIAN DEVELOPMENT PROJECTS ONLY

COUNTY / PMS REF NBR	L.R. (SEC)	T.R.	PROJECT DESCRIPTION AND GEOGRAPHIC LOCATION	LENGTH	AWARD DATE	AWARD AMOUNT (000) STATE	FEDERAL	OTHER	TOTAL
GRAND TOTAL				27.6		37.35	138.589	749	176.617
COUNT									11

94-423 O - 82 - 8

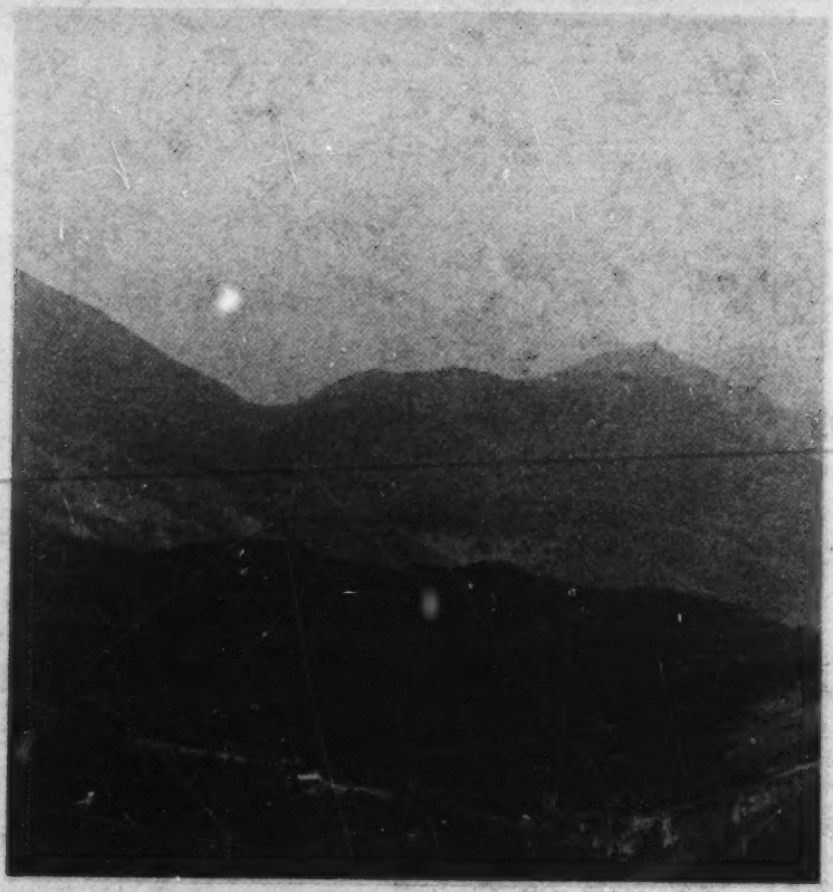

PENNSYLVANIA PORTION OF
APPALACHIAN DEVELOPMENT HIGHWAY SYSTEM
See Erie Area Enlargement
See Altoona Area Enlargement
LAKE ERIE
OHIO
W. VIRGINIA
MARYLAND
DELAWARE
NEW JERSEY
NEW YORK
JUNCTION I-90
ERIE
PITTSBURGH
GREENSBURG
NEW STANTON
SOMERSET
ALTOONA
JOHNSTOWN
BEDFORD
HUNTINGDON
MILESBURG
WILLIAMSPORT
MILTON
LEWISTOWN
HARRISBURG
SCRANTON
ELMIRA
BINGHAMTON
SAYRE
CUMBERLAND
HAGERSTOWN
SECTIONS UNDER CONSTRUCTION
KEY SECTIONS REQUIRED
·LEGEND·
STATE LINE CONTROL AREA
NAMED CONTROL AREA
LARGE STATE CITIES
CORRIDORS
OTHER STATES


PROPOSED 17TH STREET CONNECTOR
L.R. 1061(F07)
L.R. 1061(E06)
U.S. 220 UNDER CONSTRUCTION
Corridor "O"
U.S. 22 UNDER CONSTRUCTION
Corridor "M"
L.R. 1061(B03)
APPALACHIAN SYSTEM
IN THE
ALTOONA AREA


LAKE ERIE
PROPOSED PENNSYLVANIA CONSTRUCTION
Corridor "T"
NEW YORK ROUTE 17
UNDER CONSTRUCTION
APPALACHIAN SYSTEM
IN THE
ERIE AREA
LR 1126(C05)
LR 1126(C04)
N.Y. (5A)
N.Y. (5B)
BRIDGE
ERIE
Barcelona
Westfield
Ripley
North East
Mayville
Chautauqua
Lakewood
Jamestown
Falconer
Celeron
Fluvanna
Sinclairville
Cassadaga
Charlotte Center
Stockton
Forsyth
Centralia
Dewittville
South Stockton
Maple Springs
Gerry
Sheldon Corners
Findley Lake
French Creek
Clymer
Sugar Grove
Lander
Chandlers Valley
Lottsville
Columbus
Pine Valley
Bear Lake
Busti
Kiantone
Waterford
Waterford Station
Arbuckle
Union City
Corry
Elgin
Edinboro
Lake Edinboro
Cambridge Springs
Drakes Mills
Tillotson
Spartansburg
Britton Run
Lincolnville
Canadohta Lake
Phelps Corners
Branchville
Sierrel Tania
McKean
Swanville
Wylaun
Hammett
Wesleyville
Harborcreek
Meadville
PRESQUE ISLE
Perry's Naval Base 1812
FLAGSHIP NIAGARA
Toll Road
New York State Thruway

A Report To Congress From The Appalachian Governors Concerning The Appalachian Regional Commission

December 31, 1981



The Appalachian Regional Commission

The Appalachian Regional Commission (ARC) is a regional economic development agency that represents a unique partnership of Federal, State and local government. Established in 1965, it is composed of the Governors of the 13 Appalachian States and a Federal Cochairman who is appointed by the President. Local participation in the Commission program is strengthened through multicounty local development districts with boards consisting of elected officials, businessmen and other local leaders.

Annually, Congress appropriates funds which are transferred to ARC by the President to fund its highway and area development programs, the latter providing support for community facilities, health, education, housing, energy and other essentials to economic development. Appalachian Governors, in consultation with local development districts, draw up annual Appalachian development programs and select for ARC approval projects to implement these programs. ARC appropriations from 1965 through 1981 totaled $4.577 billion, with $2.788 billion of that earmarked for the highway program.

The legislation establishing ARC defines Appalachia as including 397 counties in 13 Appalachian States, with a population of over 20 million.

A Letter From

The Appalachian Governors

Concerning The

Appalachian Regional Commission

December 31, 1981

The Honorable George Bush
President of the Senate
The Senate
Washington, D.C. 20210

The Honorable Thomas P. O'Neill, Jr.
Speaker of the House of Representatives
House of Representatives
Washington, D.C. 20215

Gentlemen:

The Congress has requested our recommendations for an Appalachian Regional Commission finish-up program and an assessment of our ARC experience for Congressional consideration in defining an appropriate Federal role in economic development.

The work of ARC is not complete. Much remains to be done before this vast Region reaches national averages in terms of income, health care, housing and employment. A premature time limit on the work of ARC will leave an unfinished agenda, which causes us great concern.

People in and out of government and throughout Appalachia tell us that ARC is effective. They tell us they like the way the ARC approach lets decisions be made out in the Region instead of unilaterally in Washington and how much ARC is needed to complete the development job in our States and communities.

It is clear to us that ARC is one program that works. As we said in resolutions last February and August, ARC is successful and shifts power from Washington to the States so that national priorities can be adapted to the real needs of States and communities.

We recognize, however, that the Congress, which over the years has shared our concern about the special problems of Appalachia and our views that ARC effectively addresses those problems, has requested a finish-up program. The bipartisan report we hereby unanimously submit is responsive, reasonable and responsible. It is based on our experience and the suggestions we have gotten

through the ARC process from public officials at all levels, from businessmen and from other leaders throughout the Region.

The ARC program we propose would leave much undone but would provide for an orderly completion of ARC efforts now in progress, would solidify the gains made during the past 17 years in basic infrastructure development and would enable the Region to continue to progress toward national economic standards.

We also recognize that the Congress will be giving careful attention to defining the future role of the Federal government in economic development. We commend to you the ARC process as one which has worked well for all of us and one which should be carefully considered as you debate the larger questions of national economic development goals and policies.

We appreciate the opportunity to submit this report. With your continued cooperation, we are confident that ARC will leave a legacy in which we can all take pride.

Sincerely,

Fob James, Alabama

James A. Rhodes, Ohio

George Busbee, Georgia

John Y. Brown, Jr., Kentucky

Dick Thornburgh, Pennsylvania

Harry R. Hughes, Maryland

Richard W. Riley, South Carolina

William Winter, Mississippi

Lamar Alexander, Tennessee

Hugh L. Carey, New York

John N. Dalton, Virginia

James B. Hunt, Jr., North Carolina

John D. Rockefeller IV, West Virginia

Contents

Letter of Transmittal 1

1. The Congressional Request 5

2. Report Conclusions 6

3. The Establishment of ARC 9
   Basic Principles 10

4. ARC Programs—1965 through 1981 13
   ARC Highway Program—1965 through 1981 13
   ARC Area Development Progress 17
   The ARC Approach 26

5. The Changing Region—1965 through 1981 27
   The Appalachian Economy 27
   The Coal and Dole Myth 28
   The Outlook 29

6. The Basis of an ARC Finish-Up Program 31
   State Resources 31
   The Coal Potential 31
   Private Sector Investments 32
   Capitalizing on Previous Investments 32
   Finish-Up Policies 32

7. The ARC Highway Proposal 35
   Priorities 35
   The 1990 Highway System 36

8. The ARC Area Development Proposal 37
   Jobs and Private Investment Program 38
   Distressed Counties Program 39
   Health Finish-Up Program 41
   Technical Assistance 44
   Proposed Development Foundation 44

1. The Congressional Request

Congress has requested a report that assesses the ARC experience and outlines "a plan for finishing up ARC programs in a reasonable period of time, as detailed in House Report 97-177." The House report requests a plan for completion of the Appalachian Development Highway System and 'recommendations for a three-to-five-year ARC area development finish-up program" and states its "desire that a minimum disruption of ongoing activities result."

The House report states that the assessment of ARC is requested because, "The Commission's experience as a vehicle for sharing government responsibilities should be carefully examined as Congress searches for ways to balance national, State and local interests" and undertakes an "overall assessment of national economic development policies and programs."

ARC began work in preparation of a response to Congress as soon as the language of the House Appropriations Committee request became available to the Commission last July.

After preliminary staff work, the Appalachian Governors met on August 11 to consider how best to respond to the Congressional request. Specific policy parameters for a report to Congress were set. The Governors instructed the ARC staff to assist in preparing a report within those parameters.

During the past several months, ARC has discussed the Congressional request with public officials at both the State and local levels. A regionwide special effort was made, both directly and through local development districts, to get views of business people on ways to encourage more private investments in Appalachia. Ideas have been discussed with Members of Congress and their staffs and with the Office of Management and Budget.

Also in response to the Congressional request, ARC sponsored special studies of the availability of State and local resources for the economic development of Appalachia. Special attention also was given to the potential of coal in the economic development of Appalachia, including steps that might be taken to increase exports.

The finish-up program covered in this report has been used as the basis for a fiscal year 1983 ARC budget submitted to the Office of Management and Budget.

2. Report Conclusions

Appalachia is a Region in transition—transition from the desperate conditions of 1965 to the hopeful outlook of 1981 and toward the attainment of national economic levels before the end of the twentieth century.

In our effort to devise an ARC finish-up program that truly serves both the nation and the Region, we have faced two difficult challenges. First, the program should maintain the momentum of economic progress in Appalachia during the finish-up period; and, second, it should support a transition in Appalachia from dependence on ARC to a capability to continue economic progress without further ARC funding.

The ARC finish-up program we have designed would attain both of these objectives.

By 1985, basic health care would be extended throughout Appalachia in a manner which would permit continuation without further ARC assistance.

By 1987, assuming a sound national economy and approval of our proposal:

- Current problems limiting the market for Appalachian coal will be eased or eliminated, and Appalachia will be in a better position to realize the economic development potential of coal.
- A development foundation for Appalachia will be in full operation and able to take over those ARC functions which need to be continued.
- The economic development capabilities of the Appalachian States and local development districts will be organized on a basis to function effectively without further ARC help.
- Most of the 397 Appalachian counties will have attained a level of development which will permit continued progress without ARC help.
- The resources of the private sector will be mobilized to create private sector jobs.
- Most of the worst problems in the 60 or so most distressed counties will be eased.
- Considerable progress will have been made toward building the Appalachian Development Highway segments into a rational, integral system supportive of economic development, an objective that would be achievable by 1990.

Successful completion of our proposed program would require full cooperation of Federal and State and local governments as well as numerous profit and nonprofit organizations in the private sector. ARC is uniquely designed to bring about such cooperation.

We never expected ARC to be permanent. It was given a job to do, and when its job was ended, it was to be phased out. The Commis-

sion has worked and worked well, as the record of the past 17 years shows. But it has not had time in 17 years to correct completely the problems created by a century of neglect.

This finish-up program will not complete the job and bring Appalachia fully into the mainstream of the American economy. The gaps between Appalachia and national standards in terms of income, jobs, community services, housing and health will be further narrowed but not closed. The program will, however, enable us to conclude efforts now in progress, to leave in place a solid base for development and to put in place with minimal disruption mechanisms to complete our progress toward economic self-sufficiency.

Thus, the legacy left in Appalachia would be one that justifies the generous support of all those who have done so much in Washington, State capitals, county seats, town halls and board rooms to establish the Commission and make it work in behalf of the 20 million people of Appalachia.

Highlights of ARC Finish-Up Program

This report responds to the Congressional request for a plan to complete the Appalachian Regional Development Highway System and finish up the ARC area development program in three to five years. The proposed program would:

- Set fixed dollar ceilings and termination dates for all ARC programs;
- Shift greater responsibility to State and local governments and the private sector by reducing maximum ARC funding to 50 percent;
- Limit ARC highway assistance to construction of only the highest priority 550 miles of the 1,303 unimproved miles in the planned Appalachian Development Highway System;
- Focus major ARC area development activities on a five-year jobs and private investment program;
- Complete in three years the Commission's health program by bringing basic health care to those counties not yet reached and reducing infant mortality in counties with rates more than 150 percent of the national average;
- Help, in a five-year program, the 60 or so most distressed and underdeveloped counties in the Region meet their most critical needs, especially for safe drinking water and waste disposal;
- Seek help from the private sector through a development foundation for Appalachia so that a regional effort can continue after the termination of ARC;
- Leave the Region at the end of the finish-up program sufficiently strong economically to continue progress toward national standards without further ARC help.

The proposed highway completion program and area development finish-up program are described in further detail beginning on page 35.

3. The Establishment of ARC

Since the earliest years of the twentieth century, events periodically made Americans aware that Appalachia was a Region apart, isolated from the rest of the country, suffering the ravages of floods, prone to erratic swings in the coal industry and subject to more severe economic and population shifts than in the rest of the nation.

For decades, religious leaders, public officials, universities and business groups in the Region had in turn sought ways to do something about the problems of Appalachia, but little permanent change was accomplished. Conditions got a little better or a little worse through world wars and booms and busts; but the Region continued to lag economically far behind an increasingly prosperous nation.

Conditions in Appalachia in the early 1960s were desperate. Then, in March 1963 another flood of record proportion hit central Appalachia and once again drew national attention to the Region's plight. President John F. Kennedy, responding to these conditions and local and State appeals, appointed the President's Appalachian Regional Commission (PARC) to "prepare a comprehensive action program for the economic development of the Appalachian Region."

The *Saturday Evening Post* said in an August 1964 article, "Down Appalachia's coal-mining and steel-making core from Scranton to Birmingham, certain shared problems assail the eye with dramatic force."

And the economic problems of Appalachia went far beyond the coal and steel centers in this Region of rural areas, small towns and very few large cities. "Rural Appalachia," said the 1964 PARC report to the President, "lags behind rural America; urban Appalachia lags behind urban America; and metropolitan Appalachia lags behind metropolitan America."

- In 1960 per capita income in Appalachia was only three-fourths of the national average, and one of every three Appalachians lived below the poverty level as defined by national standards.
- Even by official count, unemployment in Appalachia was more than 40 percent above the national level, not counting the "hidden unemployment" of thousands who had long since given up seeking jobs.
- Only one-third of Appalachian adults had finished high school, compared with one-half in the nation.
- There were few doctors in relation to the Appalachian population—and most of those few were concentrated in metropolitan areas, leaving much of the Region without basic health care.
- Half the Appalachian jobs in mining and agriculture—614,000—had been lost, and there were few new jobs in the offing; nationally only one-third of the agricultural jobs and one percent of the mining

jobs had been lost while millions of new service jobs had been created.

- During the 1950s, 2 million more people left Appalachia than moved in; people in the working ages of 18 to 64 in the country as a whole increased by more than 5 percent, but in Appalachia there was an 8.6 percent decrease.
- The percentage of unsafe and unsanitary houses was twice the national average, with more than 90 percent of the housing inadequate in some parts of the Region.
- The PARC Report found that, while Appalachia needed outside help, "the primary drive for recovery must originate inside its boundaries. Yet the educational resources to mount that drive are inadequate. The Region has not produced a sufficient corps of educated people in the past—it lacks the tax base to provide an adequate educational effort in the future."
- Despite the Region's need for outside help, per capita expenditures of Federal funds there lagged well below the national average.

With the exception of some relatively brief boom periods—the latest during World War II—these circumstances had long plagued Appalachia. Extensive studies of the economic problems of the Region in 1902 and 1935 had defined some of the problems but brought no significant action to solve them.

The PARC Report in early 1964 was viewed dubiously by many in Appalachia as another study to be shelved as interest in the isolated Region faded. But this time the result was different.

On March 9, 1965, less than a year after the PARC Report was issued, President Lyndon B. Johnson signed into law the Appalachian Regional Development Act. That Act implemented almost all of the PARC recommendations.

Basic Principles

A new approach to economic development and a unique organization to guide it were proposed by PARC and authorized by the Appalachian Regional Development Act of 1965. Several basic decisions shaped the Commission and its programs:

- *Private sector jobs were set as the ultimate goal.* In the words of the PARC Report: "Private enterprise will be the ultimate employer . . . but before this can happen, public investment must create the foundation on which private enterprise can then build its own job-producing structure." ARC investments have been made consistently through the years to support the creation of private sector jobs and to qualify the people of Appalachia to fill them.
- *Federal-State-local cooperation was determined to be essential.* The Act, following closely the PARC recommendations, created ARC with a careful balance between Federal and State power, a balance that continues. A Federal Cochairman appointed by the President shares power equally with the Appalachian Governors, who annually elect a States' Cochairman from among their number.

  As one assurance that the ARC staff is equally responsive to the Federal and State partners, the States and Federal government share equally in the payment of staff salaries and other administrative costs.

  The Act also provided for the establishment of local development districts (LDDs) to strengthen the local participation in the partnership.
- *A regional highway system was determined to be essential to open up the Region to economic development.* "Development in Appalachia cannot proceed," the PARC Report said, "until the regional isolation has been overcome. . . .

No analysis of the regional problem has failed to identify the historic and persisting effect of its mountain-chains as a primary factor in Appalachian underdevelopment." The Act provided for the design and construction of such a system.

- *A comprehensive array of resource development, public facility, human resource and other area development programs was authorized.* The Act provided for such programs to meet the Region's needs "on a coordinated and concerted regional basis."

- *The Appalachian Region was defined by law.* Originally it consisted of all of West Virginia and parts of 11 other states: Alabama, Georgia, Kentucky, Maryland, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee and Virginia. The Act was amended in 1967 to include part of Mississippi. Today, 397 counties in 13 States make up the Appalachian Region.

The original ARC legislation was amended in 1967, 1969, 1971, 1975, 1977 and 1980. Commission programs were broadened to include child development, planning and site development for housing and energy-related enterprises. The 1975 amendments called for stronger participation of Governors and strengthened local development district roles.

Changes in the ARC legislation over the years strengthened the initial basic principles. The comprehensive approach to economic development has been made still broader. The Federal-State-local decision-sharing relationship has been refined. The public-private partnership to create private sector jobs and equip Appalachian people to fill them has been enhanced.

These basic principles underlie the ARC Code, the pragmatic self-regulating rules worked out by the Appalachian Governors and the Federal government to guide their joint implementation of the Appalachian Regional Development Act.

4. ARC Programs— 1965 through 1981

Soon after its creation on March 9, 1965, ARC began implementation of its comprehensive regional development program.

On May 12 of that year, the first 992-mile portion of the Appalachian Development Highway System was approved, and on July 6 simultaneous ground-breaking ceremonies were held at Isom, Kentucky, and Salem, West Virginia.

Also in May 1965, the first area development projects—four mine area restorations—were approved; and in June ARC moved to save ten hospitals in Kentucky, West Virginia and Virginia from being shut down for lack of funds.

The mix of ARC area development projects —more than 1,000 annually in recent years— varied from State to State and from year to year to comply with Commission and State policy and plans; but general thrusts were sustained on a regional basis. The highway program, vocational education, health services, community facilities, development of natural resources and establishment of LDDs were emphasized throughout the Region during the entire period.

Linkage among the components of the ARC program was achieved through strong coordination by the States and local development districts.

ARC Highway Program — 1965 through 1981

As noted, PARC concluded that an adequate transportation network is the "first requisite" of Appalachian "full participation in industrial America." This conclusion undergirds both the legislation which created ARC in 1965 and the high priority the Commission has given the Appalachian Development Highway System (ADHS) over the past 17 years.

Some awesome problems have been faced in building the ADHS. Highways in the Region had shared neglect with other public facilities for decades. The rough terrain made highway construction difficult and costly. The design of the Interstate Highway System had skirted the mountainous heartland of Appalachia, leaving most of the Region still isolated.

Appalachia's dependence on heavy industry made an improved highway system particularly essential to the economic development of the Region. Its coal, primary metals, furniture and other resource-based industries were isolated by poor roads from major American markets.

ARC, in close cooperation with Federal and State officials, adopted a new approach in planning highways, a development approach to stimulate growth rather than the traditional

approach: meeting the demands of growth wherever it happened to occur.

Most of the Appalachian Development Highway System was laid out in 1965, and annually since 1965, ARC has received appropriations earmarked for building the system, a total of approximately $2.8 billion through 1981. (Of that amount, $160 million was used for access roads to specific educational, industrial, residential and other major facilities.)

Annually, ARC highway funds are allocated among the States. Each State then spends its allocation on priority sections proposed by the individual States and approved by the Commission.

By September 1981, 1,730 miles of the ADHS had been completed or were under construction, leaving 1,303 miles of the planned 3,033 miles unimproved (see map, pages 24 and 25).

Highway Impact. Proposed investment of a major part of ARC funds in highways was criticized in earlier years by some people who insisted that planning and building the highways would take too long and that opportunities for another generation of Appalachian young people would be lost before the highways could be built. However, the Congress and the Commission determined that there was no quick fix for all the problems accumulated in Appalachia over several generations, and that any Appalachian development program which did not include the highways would have limited impact.

The record now makes clear the basic importance of the highways to the economic development of the Region. Even though it is now only slightly more than half complete, the ADHS impacts are already considerable:

- Industries and businesses have grown along the highways.
- Enterprises not directly along the highways were strengthened by the dramatic opening up of the Region by the highway system.
- The ADHS cut the costs of shipping Appalachian coal to domestic and foreign markets.
- The costs and difficulty of extending health, education and other services in the Region were reduced by the highways.

During 1981 ARC surveyed the 13 Appalachian States and the 69 local development districts in Appalachia to assess the impact of the highway system. The surveys provided the most accurate count ever taken of the industries located on or near the ADHS corridors.

The surveys show that since 1965, when the corridor system was first announced, 182,700 jobs have been created in 801 manufacturing plants with 50 or more employees within 30 minutes of the corridors. Added to this are an estimated 32,300 jobs in smaller plants for a total of 215,000.

Use of standard projections of one service job created for each manufacturing job suggests that 215,000 additional jobs in retail trade, commercial establishments and various services have been opened up along the corridors, for a total of more than 430,000 jobs.

The new industries, in addition to creating jobs, are contributing to the diversification of the Appalachian economy (see Figure 6 on page 30).

Diversification of the economy of Appalachia is illustrated by some of the industries which have grown along or near the highway system in the 13 Appalachian States:

- Corridor V in Madison County, Alabama, serves a plant manufacturing communications and electronic equipment employing 2,500.
- Corridor K in Gilmer County, Georgia,

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serves an appliance manufacturer employing 330.

- Corridor J in Pulaski County, Kentucky, serves a manufacturer of pumps and pumping equipment employing 800.
- Corridor E in Garrett County, Maryland, serves a manufacturer of optical equipment employing 339.
- Corridor V in Lee County, Mississippi, serves a plant manufacturing machine tools and metal equipment employing 700.
- Corridor T in Broome County, New York, serves a photographic supply manufacturer employing 2,100.
- Corridor K in Mitchell County, North Carolina, serves a furniture plant employing 500.
- Corridor B in Cherokee County, North Carolina, serves a manufacturer of electrical machinery and equipment employing 175.
- Corridor A in Macon County, North Carolina, serves a plant that rolls and extracts nonferrous metals and makes wire, employing 100.
- Corridor D in Clermont County, Ohio, serves a manufacturer of special milling machines employing 1,200.
- Corridor D in Clermont County, Ohio, serves a branch of a large automobile manufacturer employing 2,550.
- Corridor C in Ross County, Ohio, serves a plant making bus and truck bodies employing 680.
- Corridor M in Westmoreland County, Pennsylvania, serves an automobile manufacturer employing 5,472.
- Corridor J in Putnam County, Tennessee, serves a manufacturer of hydraulic machinery employing 800.
- Corridor B in Washington County, Tennessee, serves a branch of a large telecommunications company employing 2,300.
- Corridor Q in Giles County, Virginia, serves a mining equipment manufacturer employing 400.
- Corridor D in Harrison County, West Virginia, serves a plant manufacturing pressed and blown glass employing 1,015.

The increasing importance of the highway system in the transportation of coal is illustrated by the fact that over one-half of the ADHS was used for coal transport by 1980.

Every completed mile of the highway system also extends the feasible service area of hospitals, clinics, private doctors, vocational schools, community colleges, government services and the like. In some cases, one service center can serve where two would be needed if accessibility were limited by tortuous mountain roads.

People throughout the Region cite what the highway system, still only slightly more than half complete, has already done to break down isolation and link the Region with trade and employment centers outside Appalachia. To business the highways mean access to markets, suppliers and a labor force. To those concerned with the economic development of the Region, results are proving that the highways can help end the Appalachian isolation from the more affluent national economy. For the whole Region the highways have ended isolation from jobs and doctors and training opportunities.

But even though the benefits from the Appalachian Development Highway System have mounted as section after section was blasted through the mountainous terrain, so have costs. Year by year, general inflation, along with new environmental and safety re-

quirements, has been pushing up the estimated cost per mile so sharply that the cost of completion has been rising despite a decrease in the number of uncompleted miles.

This was the dilemma faced by ARC, the Congress and the Administration at the end of 1981.

Other Transportation. In addition to its major emphasis on the Appalachian Development Highway System, ARC has been concerned with access roads and rural transportation generally as well as rail, air and water transportation.

Access Roads. ARC-funded access roads are usually two-lane. Most of them provide a one- or two-mile critical link with industrial sites, vocational schools, major hospitals, airports and other important facilities.

Through September 1981, ARC had helped fund 386 access road projects, providing $160 million in Federal funds. Some 668 miles of access roads were completed, and another 120 miles were in some stage of engineering, design or construction.

Rail, Air and Water Transportation. Railroads have been critical arteries in Appalachia for more than a century, linking scattered industrial sites with suppliers and markets, carrying coal to markets, and providing more reliable transportation than autos and trucks over icy mountain roads.

In the 1970s, ARC began helping the Appalachian States with rail service abandonment problems. The Commission prepared and presented the economic development case for continuing service on needed lines proposed for abandonment by Conrail and Amtrak and funded special projects to keep open lines to key industries on a self-supporting basis. But, at the end of 1981, serious rail abandonment problems remained.

ARC as early as 1967 began to support improvement of air service facilities in the Region. It identified airports and other air transportation needs and then worked with the FAA to meet them. Runways were lengthened and safety was improved in about 100 airports throughout the Region.

Air service in Appalachia improved steadily until Federal deregulation in late 1978. Since that time, air service to small cities and towns generally has been deteriorating, and Appalachia—a Region of small cities and towns—was hit harder than the rest of the country.

Construction of the Tennessee-Tombigbee Waterway will have an impact on Appalachia, opening up cheaper transportation of coal, soybeans and other products to domestic and foreign markets. ARC has anticipated the economic impact of the Tenn-Tom, beginning in the mid 1980s, and has helped orient highway and road access to the waterway.

Rural Transportation. Like other organizations, ARC has struggled with the transportation problems of a dispersed rural population, particularly the poor, elderly and ill for whom transportation by private car is not available. In many cases, good public transportation would enable these people to live better, happier, more productive lives by providing access to jobs, medical care, shopping and recreation. In some cases third party payments have made bus, van or other rural transportation projects feasible; but none of the projects has yet demonstrated an economically, politically and socially feasible way to provide general public transportation in rural areas on a continuing basis.

Coal Haul Roads. Coal haul roads are also a serious problem for the Appalachian States. A 1977 ARC-funded study showed that coal was being hauled regularly over 14,300 miles of roads within those States, with 70 percent of those miles carrying more than ten 24-ton trucks per day. The study estimated a cost somewhere in the neighborhood of $5 billion to construct, rebuild and maintain the roads

and bridges needed to haul the increased production of Appalachian coal. ARC has raised the question of national obligations to help pay the cost of getting the coal out to meet the nation's needs—a question that remained unanswered at the end of 1981.

Changing transportation circumstances in the Region since 1965, particularly the deteriorating rail and air service, have enhanced the importance of the Appalachian Development Highway System to economic development in the Region.

ARC Area Development Progress

From 1965 through September 1981, ARC provided $1.76 billion in funding to a total of 13,073 area development projects in health, child development, vocational education, community development, energy and enterprise development, environment and natural resources, special demonstrations, housing, LDD planning and administration, and research and technical assistance (see table on page 18).

The President, the Congress, ARC, individual Governors and local people all had a voice in determining how those ARC area development dollars were spent.

The Appalachian Regional Development Act of 1965 authorized expenditures in education, health and various other area development fields, and in earlier years, the Act required ARC to seek separate appropriations for the different program areas. Since 1975, however, the Commission has used authority given it in 1971 and requested a single appropriation for "area development."

In the annual appropriations process, ARC now reports to OMB and the Congress an estimate of the allocation of area development funds among the different program components and, at the end of each fiscal year, reports the expenditures by component. But the Commission since 1975 has determined how the funds are divided among the community facilities, training, health and other area development programs.

From its annual area development appropriation, ARC may vote to set aside some funds for specific Commission regional purposes. The remainder—the major part of the appropriation—is allocated among the States on the basis of a formula which takes into consideration such factors as population, poverty and geographic area.

Each Governor, within ARC policy and program directions, works with local development districts and others to draw up an annual Appalachian development plan and an investment package of specific projects to implement that plan. Once these are approved by the Commission (the 13 Governors and the Federal Cochairman), the State's allocation is used to fund these projects.

Area development projects to be funded by ARC must be initiated in the Appalachian States and communities and submitted to the Commission by the Governor. The projects must be consistent with the law and with ARC policy, but project priorities are set in the Region.

State Coordination. In the establishment and operation of ARC, two facts about economic development and our Federal system of government were faced: interdepartmental and interagency cooperation is essential to comprehensive economic development; and, second, it is difficult to attain a high degree of interdepartmental and interagency cooperation on a sustained basis in Washington.

Early in the life of the ARC, therefore, the Appalachian States fashioned a planning and development system which cut across program lines, levels of government and the public and private sectors. State agencies with development responsibilities and regional and State offices of Federal agencies are drawn into the process more readily at the State level. The

State Appalachian Development Plans and the selection of projects to implement the plans reflect that involvement.

This kind of coordination is strengthened by State linkages with local development districts, where "interagency coordination" may be as easy and informal as sharing a cup of coffee or as formal as a public hearing.

Local Development Districts. In 1965, although circumstances varied among the States and across the Region, local governments faced major problems in providing services. Small settlements were scattered along valleys and up hollows, occupying the limited buildable land. The smallness of the scattered communities with limited tax bases placed burdens on Appalachian local governments which they were ill equipped to bear.

In addressing the problems of the Region, PARC recognized the need to bridge the span between "the bigness of the total Region and the smallness of local jurisdictions." It recommended establishment of multicounty local development district agencies to assist local governments and private groups in economic development. Congress authorized financial support for local development districts and directed the Commission to encourage their formation in a manner appropriate for each State.

Soon after ARC was established in 1965, it began work through its member States to provide funds and technical assistance to encourage establishment of local development districts throughout the Region. The entire Region is now served by 69 LDDs, each controlled by a local board and supported by a professional staff.

The effectiveness of the LDDs is based primarily on the nature of their boards and staffs. Over half of the 2,600 board members of the 69 LDDs are elected officials, most of them

Projects Approved Through Fiscal Year 1981

(dollars in thousands)

Program Category	Total Projects	ARC Share: Total ARC Funds	ARC Share: Percent of Total ARC Funds	Federal Funds	State & Local Funds	Total Cost
Health	3,342	$ 422,918	24%	$ 240,444	$ 683,315	$1,346,677
Child Development	1,886	166,459	9	95,911	80,905	343,276
Vocational and Other Education	2,398	483,249	27	186,975	671,625	1,341,849
Community Development	1,848	370,380	21	993,244	766,518	2,130,142
Energy and Enterprise Development	369	34,361	2	5,038	27,542	66,941
Environment and Natural Resources	436	100,950	6	2,809	35,772	139,531
Other Programs and Special Demos	784	42,414	3	8,652	11,519	62,584
Housing	339	50,604	3	161,734	39,759	252,098
LDD Planning and Administration	963	57,651	3	119	20,241	78,011
Research and Technical Assistance	708	35,265	2	2,625	18,733	56,623
TOTALS	13,073	$1,764,252	100%	$1,697,552	$2,355,930	$5,817,734

Columns may not add because of rounding.

local businessmen or educators, farmers, labor officials or other leaders working part time in their elective offices. The remainder of the board members are from similar fields and, while holding no elective office, are leaders in civic, business and other organizations.

The LDD staffs are hired to provide professional and technical services to many small governments which individually could not afford this assistance. With the help of the staffs, the LDDs:

1. Provide technical and professional services to towns and counties on a circuit-riding basis;
2. Aggregate the resources of small jurisdictions to enable them to function more effectively in a world of bigness;
3. Assist with planning that permits sharing, rather than duplicating, public facilities and services;
4. Facilitate cooperation among the levels and agencies of government;
5. Facilitate participation of the private sector in setting priorities for public development investments.

In the performance of these functions, the LDDs provide expert help in putting together applications for funds from public and private sources. Despite this help, however, Appalachia is only moving toward a fair share of Federal funds, receiving today only 84 percent of the national per capita level (see Figure 5 on page 29).

The LDDs are an important link in the ARC decision-making process. They provide the public-private setting of local priorities, the State-local linkages, and the comprehensive areawide planning essential to the success of the ARC program.

Vocational Education. ARC in 1965 faced the education and training problems identified in the PARC Report: levels in Appalachia were far below national standards; improvement would be essential to economic growth of the Region; but Appalachian States and communities lacked the resources for the necessary catch-up program.

Without either the funds or legislative authority to tackle the whole range of educational deficiencies, ARC focused on vocational education. It set two goals: a vocational/technical school within commuting distance of everyone in the Region and job-relevant vocational training for at least half the young people of Appalachia. Given the fact that only 25 percent of young Appalachians were then getting such training, compared with almost 50 percent of the youth in the nation, this would require a major investment.

The Commission has invested over $330 million in building and/or equipping 705 vocational/technical education facilities, with a capacity to serve over 400,000 students during the school year. With the network of facilities now near completion, the emphasis has shifted from construction toward improving the training and assuring it is job-relevant.

The second goal has already been achieved. In the 1979-80 school year, 52 percent of the eleventh and twelfth graders in the Region were getting vocational/technical education.

While the Commission concentrated its efforts on vocational/technical education, it made lesser investments in institutions of higher education, in teacher training, in libraries and in Regional Education Service Agencies (RESAs). These areawide organizations have improved the quality of many of the small school systems in the Region by helping them pool their resources for specialized teaching services, staff development, special education programs and joint purchasing. These improvements remain, long after ARC funding has ended.

In the late 1970s, ARC began giving special emphasis to a problem that was becoming a

barrier to vocational training: some of the people in the Region, school age and adult alike, could not master the increasingly complex training programs of today because they could not read, write or compute adequately. Some basic education activities were begun, but this problem was far from a solution at the end of 1981.

Community Development. The PARC Report noted that the normal cycle of economic development starts with the use of natural resources to build wealth, the reinvestment of a part of that wealth in community facilities and other needs of the Region, and then diversification based on that reinvestment.

But in Appalachia, PARC pointed out, that cycle had not been completed: most of the wealth from the mines, forests and farms was siphoned out of the Region, not reinvested there. The public facilities and services, hospitals, schools and other essentials to complete the economic development cycle did not get built. Without them, Appalachian communities could not support growth of a diversified economy.

In its early years, most of ARC's construction funds went to hospitals and vocational schools. As those needs were largely met, attention was turned to water supply, waste disposal and site development for housing and other community infrastructure.

By 1980, ARC was concentrating its community facility funding on water and sewer projects and industrial site development, projects essential in growth areas which want to attract and hold industries, provide basic services for new housing, improve their tax bases and achieve self-sustaining economic development.

ARC has emphasized those projects which are most essential in meeting economic development plans. In most instances its grants are used to supplement other funding to add developmental capacity to the projects while keeping them affordable to the users. This approach requires close cooperation with other agencies—local, State and Federal.

The Farmers Home Administration might be willing, for example, to fund a water system with a certain capacity to meet residential demands, but local people and the State might want to build in additional capacity to serve an industrial site. They might seek ARC funding for that additional capacity. In another case, an ARC supplemental grant might be essential to reduce necessary borrowing to achieve an affordable repayment schedule.

The Commission also initiated demonstrations of appropriate technologies for water supply and waste disposal in remote, low-density areas. If poorer counties in the Region are to attain basic standards of public health at reasonable cost, these technologies will have to be expanded to the areas that cannot afford the debt service, operations and maintenance costs of conventional water and sewer systems.

As the table on page 18 shows, 1,848 community development projects were funded through 1981, with ARC providing more than $370 million, or slightly more than 17 percent of the total cost. Those figures also indicate that other Federal funds made up almost 47 percent of the total cost, so reduction in Federal programs, like the Farmers Home Administration and the Economic Development Administration, will directly affect many Appalachian communities.

Overall, by the end of 1981, significant progress had been made in reducing the crippling shortage of community facilities in Appalachia, but the progress was uneven. Some communities were attaining the essential vitality to generate their own resources to pick up most or all of the future costs. But in a number of communities, the lack of such facilities was still limiting economic development opportunities, and the resources to do much about it were not available.

Housing. The housing deficit in Appalachia was, like the community facilities deficit, massive. In the early 1960s, the percentage of substandard housing was twice the national average. As late as 1974, a Commission study showed that more than 231,000 houses classified as beyond repair were still being occupied year round.

Appalachia shares all the nation's housing problems. But the rugged terrain, land ownership problems, remoteness, scattered population, limited mortgage credit and excessive poverty in many parts of the Region add severe handicaps. These special problems stunted the growth of an underdeveloped housing industry in Appalachia.

Over the years Congress has authorized specific ARC housing activities. In 1967 the Commission was authorized to provide planning loans as seed money and technical assistance to sponsors of low- and moderate-income housing through the Department of Housing and Urban Development. Subsequent amendments authorized off-site development grants, broadened ARC technical assistance in the housing field and increased the housing responsibilities of the States and the Commission.

Since 1967, ARC has stimulated the development and rehabilitation of 19,105 housing units. An additional 3,482 units have been directly assisted with ARC demonstration and community facilities funds.

In addition to providing direct assistance to housing projects, ARC has helped the 13 Appalachian States organize corporations to develop and finance housing. The housing finance corporations have funded 49,556 units, with mortgage investments totaling $1.5 billion in the Region.

In 1980 ARC initiated a special effort to increase the capability of builders in the Region and encourage new builders to move in where additional capability was needed. But, at the end of 1981, the housing industry of Appalachia was bogged down by the same economic conditions which brought the housing industry nationally almost to a halt.

Coal, Other Resources and the Environment. Energy and the environment were much discussed when ARC was getting under way in the 1960s, long before they became household words. Coal is mined in nine of the 13 Appalachian States so ARC policies must reflect the interests of both energy producers and energy consumers.

Coal boom and bust cycles had extracted great wealth from the Region and left behind unemployment, poor housing, polluted streams and scarred mountains. Prior to the 1970s, ARC coal-related activities were limited to environmental and conservation programs, ameliorating the damages from previous mining. More than $56 million was expended putting out mine fires, controlling land subsidence, reducing acid mine drainage, cleaning up mine refuse banks, reclaiming stripped land and capping abandoned wells.

Following the oil embargo of 1973, the demand for coal increased, creating new problems as well as opportunities. Along with economic stimulation, this resurgence of coal brought demands on coal States and communities for major investments in community facilities and services. Community investments had to be made even though the boom might pass—or the nearby coalfields might be mined out—long before the bonds which were sold to finance the investments were paid off.

Since this upswing in the demand for coal, ARC has served as a forum on coal problems, a source of technical assistance and an advocate of the Appalachian coal States. It has identified transportation bottlenecks, served as an advocate for coal impact legislation, provided technical assistance to increase coal exports, assessed the impact of various government regulations on coal, helped form coal cooperatives to assist small mine oper-

ators and provided funding for energy-related enterprises. In addition, ARC has helped fund many of the community services and facilities needed to serve the increased population in coal communities.

Timber is another important Appalachian resource. Woods and forests cover 60 percent of the Region, and, while much of the most valuable timber was cut in the nineteenth century, before modern reforestation practices, the potential is still considerable.

Most of the Appalachian timber is held in privately owned small lots, however, making economic care and use difficult. In its early years, ARC assisted in the establishment of timber development organizations through which small landowners could cooperate in growing and marketing timber. These organizations met with only spotty success, and, in recent years, ARC timber activities have been focused on technical assistance and demonstrations to encourage the use of wood for energy.

Health. The 1964 PARC Report said of Appalachia that "the Region's shortcomings in training and skills are matched by health and nutritional deficits."

In the country at large, there were 50 percent more doctors per 100,000 people than in Appalachia, and in many Appalachian counties there were no doctors at all. Conditions were not likely to get better. Old country doctors were being lost to retirement and death. The Appalachian Regional Hospitals, set up in desperation by the United Mine Workers during the 1950s as the Miners Memorial Hospital Association, were slipping into bankruptcy. Living conditions in much of the Region were not likely to attract doctors and their families. The population was widely scattered, and high rates of poverty would make profitable practices difficult.

Health statistics in the early 1960s showed the combined effects of poverty and the lack of health care. Death from infectious diseases was one-third higher than the national average. Tuberculosis death rates were 40 percent higher, and infant mortality was as much as twice the national average in some parts of the Region.

ARC joined quickly with other agencies in 1965 to save the Appalachian Regional Hospitals in central Appalachia. At the end of 1981, the hospitals remain in operation and are out of the red.

Training and recruitment programs for health personnel were initiated and continued over the years. Through 1981, more than $27 million was spent on training facilities and programs for physicians, dentists, nurses, nurse practitioners, physician assistants and other health personnel. The number of physicians alone has been increased by about 30 percent.

But it became apparent that traditional health service practices could not meet the needs of Appalachia. There would never be hospitals and doctors in all the thousands of small, remote communities; and poor mountain roads made health service inaccessible to many rural residents.

ARC devised a health delivery system to achieve a specific goal: primary health care within half an hour of people throughout the Region. Nurse practitioners, physician assistants and nurses are used extensively, often in remote communities which might never have a hospital or even a doctor. These health service providers are supported by doctors, hospitals, mental health centers, pharmacies and other ancillary services in one or more small towns.

Difficult problems were faced. One was Federal legislation prohibiting Medicaid and Medicare payments for services of nurse practitioners or physician assistants unless a doctor was present when the services were provided. In many remote areas, far from a doctor's office, this meant insolvency for

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clinics. A concerted effort by Appalachian Governors helped get the law changed, cutting health care costs and making better health care available in remote areas all over the country.

The system has worked. The Commission's primary health care program—with its emphasis on preventive, basic level, family-oriented care—became a model for the national Rural Health Initiative program.

And in Appalachia, primary health care at the end of 1981 was within reach of the people in all but approximately 37 of the 397 counties. The combination of private and public efforts in the health field had brought within sight a goal that seemed impossible 17 years earlier.

Child Development. During the early ARC years it became apparent that many Appalachian children were incurring preventable health and learning handicaps early in life.

In the 1960s, nearly one million Appalachian children under six were growing up in poverty. Less than 2 percent of Appalachian school districts had kindergarten programs. Only five Appalachian States had direct State aid for kindergarten programs. Many families did not themselves have adequate health care or education, so they were unprepared to recognize dangerous symptoms of illness or learning difficulties in their children. In parts of the Region there was no prenatal and postnatal care, and national programs serving children did not reach isolated rural Appalachia.

Congress included in its 1969 amendments to the ARC legislation a provision for ARC support of child development programs under which ARC would help initiate projects, then spin them off when self-supporting. ARC implemented the legislation with a program for children under six which emphasized prevention of health and learning problems.

The Commission pulled together the many Federal and State programs serving young children, eliminating fragmentation and filling gaps.

ARC-supported programs have included day care, pediatric and maternal health screening and treatment, dental care, instruction for handicapped children, mental health services and educational and counseling services for teenage parents. Eighty-five percent of ARC funds have gone to rural areas with populations of less than 10,000.

Over a million children and families have been reached by the program. Eighty percent of the Region's five-year-old children are now enrolled in kindergarten, and 12 of 13 Appalachian States now have State-aided kindergarten programs.

ARC studies indicate that other funding sources are continuing about 85 percent of its child development projects at some level after ARC funding is terminated.

Private Sector Employment. Each of the components of the ARC highway and area development programs contributed to the basic Commission objective: supporting creation of private sector jobs and the preparation of Appalachian people to fill those jobs.

1. The Appalachian Development Highway System has penetrated the isolation of the Region. As noted on page 14, many new industries and businesses have sprung up along that system.

2. The ARC community facilities, access roads and related programs have in hundreds of communities provided the kind of public service base needed by industries and businesses.

3. The ARC health, literacy and training programs have upgraded the capability and skills of the work force.

4. Technical assistance to States and local

development districts has increased their capability to help enterprises get the necessary capital to open or expand.

The 1965 legislation establishing ARC prohibited direct financial assistance to individual businesses. A 1975 amendment altered that prohibition slightly by authorizing $3 million per year in aid to "energy-related" enterprises, such as the construction of a gasification plant to make an industrial park energy self-sufficient.

Commission assistance to the private sector through 1981, however, continued to be based on providing help in doing those things which individual businesses cannot do: provide basic public service, meet transportation needs and upgrade the health and skills of the Region's work force.

The ARC Approach

The overall ARC approach to development during the past 17 years has demonstrated a receptivity to innovation as well as a capability to facilitate cooperation among the levels of government and the private sector.

The ARC way of doing business makes it possible for people with new ideas to enter the system at any level. The smallness and flexibility of the agency makes it possible to test those ideas in the real world.

ARC pioneered a new approach to extending health care in doctor-short areas, built the first regionwide network of local development districts to plan and implement comprehensive areawide action programs, pioneered the creation of State housing finance agencies, tested alternative technologies in housing and waste water, used telecommunications for training in remote areas, linked human resources to the more traditional components of economic development, pioneered in the use of block grants and carried out the first operating vocational education programs to make job relevancy a requirement for each project funded.

Some of the innovative programs and projects tested in the economic development "laboratory" provided by ARC initiated or influenced national programs. Some were tested in one Appalachian State and duplicated in others once proved effective. Others were used in the Appalachian part of a State and became the basis of statewide programs.

The record over the past 17 years indicates that the ARC way to design and implement a public-private economic development program in our Federal system works well in Appalachia. Appalachian Governors, local officials and private sector leaders over the years have attested to its effectiveness in relation to other ways of doing business.

The American Enterprise Institute (in its 1977 study comparing categorical grants, block grants and revenue sharing with ARC, entitled "Shared Power") concluded that: "ARC is working as it was intended to work. Its strengths are flexibility, responsiveness, improvement of state and local planning processes and increased involvement by state and local governments in the funding process."

5. The Changing Region— 1965 through 1981

Striking economic progress has been made in Appalachia since 1965. Many aspects of that progress can be quantified:

- Outmigration from the Region was reversed in the 1970s, and the growth rate in the Region is now approaching the national average.
- The percent of Appalachian people living in poverty has been cut in half and is edging downward toward the national average.
- Income in the Region has increased by 57 percent in fixed dollars and had moved from 78 percent of the rising national average to 84 percent by 1979.
- Infant mortality has dropped sharply in most of the Region, and the number of doctors has risen.
- The proportion of Appalachians 25 and over with a high school education or more rose from 56 percent of the national average in 1960 to 83 percent in 1976; and when later data are available, they are expected to show further closing of the gap.
- The number of private sector jobs in the Region increased by more than 1.9 million from 1965 to 1979.

The Appalachian Economy

The Appalachian economy in 1965 was considerably more dependent than the nation on manufacturing, with more than 47 percent of its labor force in manufacturing jobs compared to less than 37 percent nationally. On the other hand, less than 13 percent of the Appalachian jobs were in the service field, compared with a 16 percent national figure.

Since manufacturing jobs have leveled off and are decreasing throughout the country while jobs in the service field have been increasing sharply, greater diversification is important to Appalachia. Some progress has been made, with the relative number of service jobs increasing more rapidly in Appalachia than in the country at large. In addition, during the period, Appalachia's dependence on its steel and other primary metals, textiles, apparel, tobacco and food products industries has been lessened by growth in paper products, rubber products, fabricated metals, machinery, electric and electronic equipment and other industries. Overall, therefore, the employment mix in Appalachia is becoming more diversified, more like the rest of the nation (see Figure 6 on page 30).

In 1981, however, the Appalachian economy was being adversely affected by its continued heavy reliance on durable goods, the segment

which was hit hardest by the recession. It was also being hurt by imports, which by 1978 were filling 12 percent of the U.S. apparel market, 11 percent of the iron and steel market and 9 percent of the lumber and wood products market.

With employment in the coal industry leveling off and diversification from its coal and manufacturing base still at an early stage, Appalachia despite its progress was hit particularly hard—and early—by the 1980 and 1981 national economic slumps. This has had a sharp impact on the growth of the Appalachian economy, showing up in job and income charts.

The Coal and Dole Myth

Some media reports have attributed Appalachia's economic progress to "coal and the dole."

The implication that Appalachians are subsisting to an abnormal degree on welfare is grossly inaccurate and unfair to the people of Appalachia. As Figure 4 on page 29 shows, the per capita income from transfer payments (welfare programs of various kinds, social security and other pensions, food stamps, black lung disability payments and the like) is

Figure 1

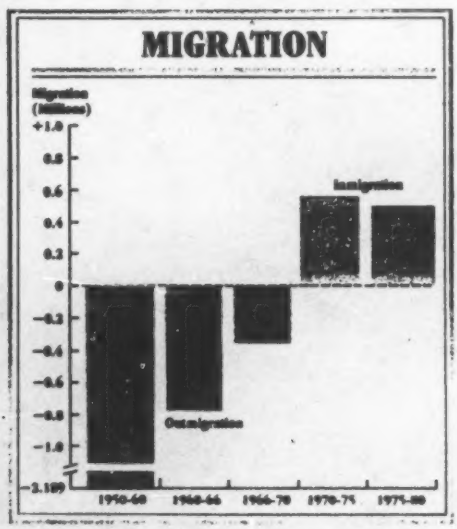


Figure 2

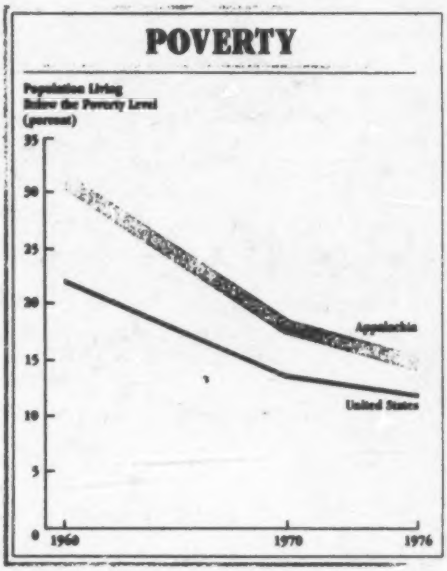
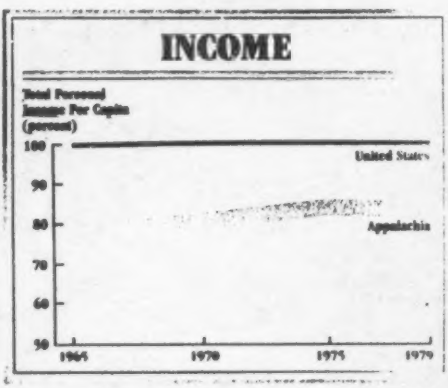


Figure 3



neither soaring in Appalachia nor significantly different than in the more affluent United States outside the Region. (As previously noted, on a per capita basis, total Federal expenditures in Appalachia have been consistently behind the national average, increasing slowly but still only 84 percent of that average in 1980.)

Nor can the major changes in the Region all be attributed to the coal industry. As previously pointed out, Appalachia has experienced significant employment growth. This has taken place primarily in the services, wholesale and retail trade and manufacturing industries other than primary metals, textiles and apparels.

Direct employment in the coal mining industry represents about 3.4 percent of total Appalachian employment and is responsible for almost an equal percentage in support services, such as employment in preparation plants and transportation.

So, while it is possible to go into Appalachia and find both coal-rich people with expensive cars and people subsisting on welfare, neither is the norm. Facts on the changing Region do not support the "coal and the dole" mythology.

Nevertheless, coal has had a significant influence on the economy of the Region, and coal does have a considerable potential for the future. It is estimated that in 1981, 103 million tons of coal from Appalachia will have been shipped to foreign markets. The value of total Appalachian coal production for both domestic and foreign markets may be estimated at over $15 billion for the same year.

The Outlook

Beyond the statistics, there are changes in Appalachia visible to any one visiting it after a few years of absence. There are more new highways, new homes and manufacturing plants dotting the countryside. The thousands of mobile homes on the hillsides may not

Figure 4

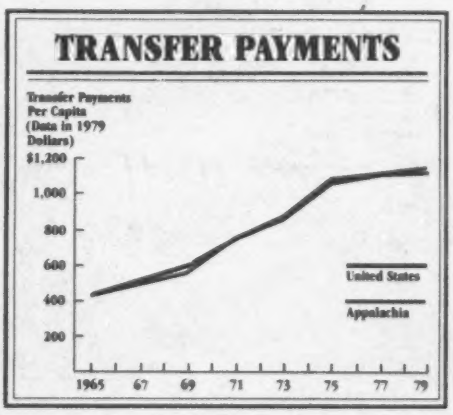
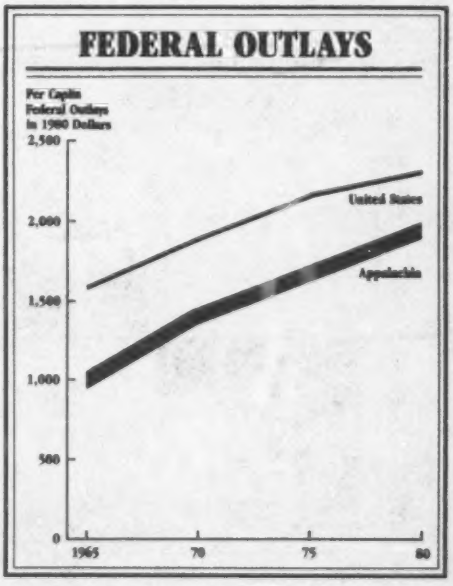


Figure 5

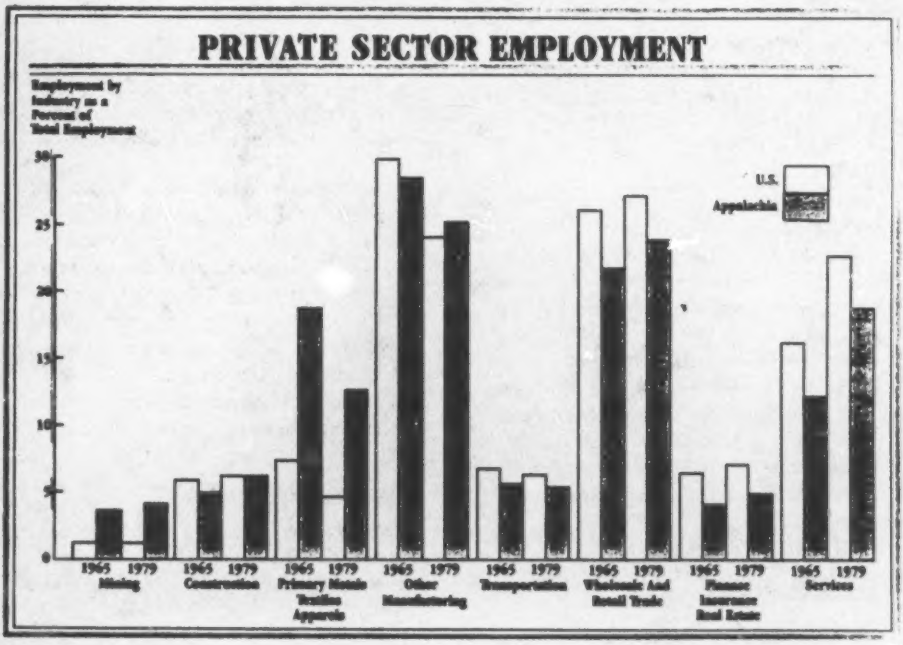


please the eyes of the visitor; but they offer more sanitary, comfortable living than the deteriorating shacks they so often replaced.

But the progress came from low-base points. The gaps that are being closed were wide and, though narrowed, remain.

Even critics of ARC admit, though, that there is a new element in the Region, shared by even the poorest: hope. Even those among the older people whose lot has not significantly improved cite the improved opportunities open to the young adults and children.

Figure 6



6. The Basis of an ARC Finish-Up Program

Despite the dramatic progress made since 1965, Appalachia still lags behind the rest of the country by most measures of economic health. The economy is still fragile and sensitive to downturns in the national economy like those of 1980 and 1981. The progress has been uneven. Some counties remain severely distressed.

As Appalachian Governors and members of the Commission, we have examined what can be done in the face of limited Federal resources to stabilize and improve the economy of Appalachia and to assure that hard won gains are not lost. We have explored the availability of increased State resources, the potential of coal in the economic development of the Region, ways to increase the investments of the private sector in Appalachia and the best ways to capitalize on economic development investments already made in the Region.

State Resources

The capability of Appalachian States to pick up a greater share of the cost of economic development in the Region is clearly limited:

- Income and other significant tax bases in the Region lag behind those of the rest of the nation.
- Despite this limited tax base, Appalachian State tax efforts since 1965 on the average have increased at a more rapid rate than the national average.
- By 1979 the Appalachian States were making an average tax effort 12 percent greater than the national average.
- Federal expenditures in the Region are 16 percent lower per capita than in the nation, and the Federal budget cuts hit Appalachian State and local governments disproportionately hard.

Over the next several years there will be a number of crucial demands on the limited State resources in Appalachia which the States will be unable to meet without assistance.

The Coal Potential

The resurgence of coal is already generating economic development in the nine Appalachian coal States, and particularly in central Appalachia.

The demand for Appalachian coal, especially in the foreign markets, is good. An ARC-sponsored analysis of the export market for Appalachian coal, completed in December 1981, indicates that coal produced for export from the Appalachian Region during the next ten years is expected to increase by 44 per-

cent over the 1981 level of 103 million tons to 148 million tons. It is also projected that the 1981 level will almost double by 1995 to a total export tonnage of 190 million tons.

This suggests that coal can bring considerably greater resources into Appalachia from the mid 1980s on, if in the meantime transportation, conversion and marketing problems are solved. These limitations must be removed before the full potential of coal to support the economic development of Appalachia can be realized.

Private Sector Investments

Private sector investments and jobs have always been the ultimate objective of the ARC program, but a more rapid triggering of those investments will be necessary in a finish-up program.

Business leaders during the past several months have confirmed what we have experienced in our ARC programs: private sector investments will not be made in areas where public funds do not provide highways, roads, public facilities and public services, items which are not normally viewed as a responsibility of the private sector. A public-private economic development partnership must be built on this reality.

We do not expect the private sector to assume governmental responsibilities, but we are confident that we can mobilize greater private participation in the economic development of Appalachia.

Capitalizing on Previous Investments

Steady progress has been made since 1965 in both the ARC highway and area development programs. Strong, bipartisan support at local, State and Federal levels had suggested we could continue these programs until the Region had achieved a more nearly even footing with the rest of the country.

As a result of 1981 actions initiated by the Administration we can no longer count on continuation of ARC until its objectives are fully achieved. Rather than continuation, we must determine how, in a relatively short finish-up period, we can make the most of investments already made.

The changed outlook for ARC, for example, catches us half way to completion of a highway system we fully expected to complete. We must find a way to capture the developmental benefits from the investments already made by connecting completed sections in some rational, integral system and by ensuring a sound infrastructure foundation in the areas where economic development is most promising.

Construction of hospitals, vocational schools, libraries and many similar facilities has progressed to the point at which further construction and operation responsibilities can be left to others. But about three more years will be needed to reach a similar point in providing primary health care and reducing infant mortality.

There is need, also, to take some action during the finish-up program if the 60 or so severely distressed counties which have not been able to respond to economic development opportunities are to have at least some minimal level of public services.

Finish-Up Policies

Our examination of ARC and the economic conditions in Appalachia have led us to a unanimous conclusion that the Commission's programs can be finished up in a reasonable and responsible manner if this is done in a way that will provide a basis for continued progress in the Region.

We recognize that the character of a finish-up program for Appalachia must be different

from that of a program designed to fully complete the job. We propose, therefore, to make basic changes in the ARC programs:

1. Dollar and time limits for the ARC highway and nonhighway programs would be set, and expenditures would be more specifically focused.

2. The Appalachian States, local governments and the private sector would accept greater financial responsibility for the ARC program.

3. Special help would be extended to the particularly distressed and underdeveloped counties in the Region.

4. The program to extend basic health care to all Appalachian counties and to reduce infant mortality would be brought to completion in three years.

5. Special emphasis would be given to increasing the export and domestic use of Appalachian coal in a manner that will contribute to a more diversified economy in the nine Appalachian coal States.

6. The role of the private sector, always important in ARC programs, would be strengthened in the finish-up period.

7. Funding of certain types of projects would be terminated, including libraries, cultural centers, hospital construction, medical buildings, recreation facilities, school construction, government offices, community centers, social service facilities and multiyear operating grants.

8. The Commission would provide a way for corporations and individuals, particularly those who have benefited from using Appalachian resources, to contribute to the economic development of the Region.

On the other hand, some aspects of the Commission must not be changed:

- The basic ARC structure and procedures work well and would be used during the finish-up program.

- The Appalachian Development Highway System and the Commission's area development program would be retained as interdependent programs to provide the basic infrastructure needed to support private investments.

- ARC would continue to support and strengthen State and local development organizations.

Our proposed program, based on these policies, will provide a transition period during which State and local resources are mobilized, the potential of coal is developed and the role of the private sector in Appalachia is strengthened. The program would enable us to capitalize on the ARC economic development investments made over the past 17 years.

7. The ARC Highway Proposal

To complete construction of the remaining 1,303 miles of the planned 3,033-mile system would require a total of approximately $7 billion in Federal funds. While completion of the entire system would contribute much to Appalachia and the rest of the country, we cannot expect this level of Federal funding. We propose, therefore, a finish-up program for the Appalachian Development Highway System which would:

1. Set a $2.27-billion ceiling on Federal funds required, one-third of the cost of completing the entire planned system, which would leave over 680 miles of the planned system unimproved.

2. Permit construction of only the highest priority highway sections, a total of only 550 of the 1,303 unimproved miles in the system. Any subsequent improvements in the other connecting sections of the planned system would be done without ARC assistance.

3. Commit the Appalachian States now to build an additional 70 miles of the system, substantially with their own resources, and examine the possibilities of using toll roads, where appropriate, as a means of building additional segments.

4. Complete the modified ARC highway program in eight years, 1983-1990.

In March 1981, the Administration proposed to the Congress a five-year funding level for continuation of the Appalachian Development Highway System with funding to come solely from the Highway Trust Fund. The ARC highway finish-up program reflects the level of funding proposed by the Administration, adjusted to begin in fiscal year 1983, and adds three years of additional authorization at similar rates to coincide with the time frame currently proposed by the Administration to complete the Interstate System.

Priorities

The proposed program reflects the general principles which have guided the design and construction of the Appalachian Development Highway System over the years. Prior to 1981, as noted, continuing Presidential and Congressional commitments had supported confidence that the entire system would be built. Priorities set in relation to annual appropriations determined the order in which each segment would be built. Under the proposed program, ARC and the States would make commitments to finish only the highest priority segments, with awareness that ARC funding will not be available for the remaining segments (see map on pages 24 and 25).

In establishing these priorities during the finish-up period, ARC and the individual

States have agreed to:

- Complete those segments within each State which carry the highest overall traffic and contribute most to regional economic development opportunities;
- Eliminate the most restrictive gaps in continuity;
- Complete those corridor segments expected to carry the largest volumes of coal by 1985;
- Complete the most critical State line crossings.

The ARC process for negotiating decisions among the various States and the Federal Cochairman was used to select the priority projects to be built with ARC funding.

The ARC staff was asked to work with the individual States on a segment-by-segment analysis of the uncompleted parts of the highway system. Each State highway department furnished information about traffic volume, coal truck movements, State priorities and the status of each segment. The ARC staff completed an analysis of this information with consideration of regional priorities and presented recommendations to the 13 Governors and the Federal Cochairman.

The Governors and the Federal Cochairman, on the basis of the work by the ARC staff and State staffs, then jointly selected specific segments to be built with ARC funding. In the proposed program, the States would decide the order in which to construct the selected segments.

The 1990 Highway System

Construction during the program terminating in 1990 would:

- Complete an additional 620 miles of the system, for a total of 2,351 miles completed, approximately 78 percent of the authorized system;
- Complete the 150 miles of highway segments carrying the largest volumes of coal;
- Leave the 26 State line crossings in adequate condition (eleven are already complete, ten would be completed during the finish-up period and the remaining five are adequate or are served by an alternate route);
- Virtually complete ten corridors and complete 80 to 90 percent of the mileage on six, 65 to 80 percent on another six and less than 50 percent on four.

The revised system provided for in the proposed ARC highway finish-up program cannot bring about the level of economic development expected from completion of the full 3,033-mile planned system. It does, however, blend Federal, regional, State and local priorities to make the most effective developmental use of the reduced level of funding.

8. The ARC Area Development Proposal

The proposed ARC area development finish-up program would be limited to five years. It would be funded at $83 million annually for the first three years and $75 million annually for the remaining two years, which is approximately one-third below the level in recent years.

Effective operation at this lower level of funding would require several basic changes in the ARC area development program to stretch out and focus the limited funds:

- The level of all grants would be limited to a maximum of 50 percent. As evidence of our strong commitment to the ARC process and programs, we would assist grant recipients in packaging other resources to meet the proposed higher match requirement.
- Certain types of projects under the present program would be made ineligible for funding: libraries, cultural centers, sports arenas, hospital construction, medical office buildings, recreation facilities, school construction, government offices, community centers, social service facilities and multiyear operating grants.
- Funds would be more specifically channeled through a new three-part area development program.
- To attain greater responsiveness, the Commission would be authorized to make direct grants rather than going through a basic agency.

In the proposed area development program:

- $60 million would be allocated annually among the States for five years to be used only for projects critical to the creation or retention of private sector jobs, upgrading manpower for jobs in the Region, attracting private investment and supporting local development districts.
- $15 million would be allocated annually for a special five-year program to help the most distressed and underdeveloped counties in the Region, which lack the financial and technical resources for even the most basic public services, meet their most critical needs, especially safe drinking water and waste disposal.
- $8 million would be allocated annually for three years to finish up ARC's health program by extending basic health care to counties not yet reached, by recruiting health manpower in shortage areas, and by reducing infant mortality in those counties with rates at least 50 percent above the national average.

Jobs and Private Investment Program

The major part of ARC area development funds during the finish-up period would be used to support creation and retention of private sector jobs, upgrade manpower for jobs in the Region or stimulate private sector investments. Funds would be targeted to projects with the most immediate payoff; but the Commission would be unable to complete the remaining broad agenda of substantial unmet development needs in the Region.

All 397 Appalachian counties would be eligible for assistance under the program to support and encourage the creation of private sector jobs and investment in Appalachia.

Applicants for ARC assistance would have to provide evidence of new private sector investments or other commitments which provide assurances of follow-up private investments. These assurances could, for example, take the form of private financial contributions, assistance from firms to upgrade job skills in the work force and private sector participation in programs to enhance the area's competitive attractiveness.

Creation and Retention of Jobs. To be funded, projects would have to demonstrate a firm private sector commitment to locate, expand or stay if critical facilities or services are provided.

Types of projects might include:

- Sewage service extension or a rail spur to serve a new or expanded enterprise;
- Expansion of a water system to meet needs of an industry which would otherwise have to relocate;
- An access road required for a coal preparation plant;
- Assistance to establish a child care center, or adapt an existing one, to meet needs of an industry and its employees.

ARC quick response capabilities would often be necessary for the successful negotiation of such joint projects with entrepreneurs.

Upgrading Manpower for Regional Jobs. To be funded, projects would have to demonstrate how they would initiate or improve training activities to make them more relevant to the current regional job market. Projects might include those which improve reading, writing and computational skills of adults to qualify them for jobs or for training leading to jobs.

Types of projects might include:

- Customized training to upgrade adult job skills to fill positions of a specific employer or group of employers.
- Provision of training equipment compatible with current job opportunities.
- Establishment of basic skill centers in existing vocational facilities or elsewhere which focus on activities to improve employability immediately or on completion of vocational training.

This program will focus Commission funds on improving the immediate job prospects of people in the Region. It would not, however, be able to address longer range problems, particularly the widespread need for children and adults to improve their basic education if they are to master complex training required for many jobs in the modern world.

Attracting Private Investments. In order to become eligible, a project would have to show how it would bring about a private investment that would meet high priority economic development needs.

Types of projects might include:

- Water extensions, sewage package plants and the like for housing if the developer has arranged financing for the housing and a housing shortage limits the commu-

nity's economic growth potential;

- Site development for a coal storage facility to be financed privately by several small industries in cases where conversion would otherwise be infeasible;

- Training assistance coupled with a commitment of private financial or other private investments to upgrade job skills in the area.

The Distressed Counties Program

More than 900,000 Appalachians live in the 60 most distressed and underdeveloped counties in the Region. Approximately three-fourths live in 1,800 communities and small settlements consisting of 25 or more homes. The population of these communities ranges from settlements of 50 to 75 persons to small cities of 5,000 to 7,000 population. The remainder of the population lives on scattered homesites and farms.

Many of the communities in these counties still lack even the most basic facilities, and the lack of these facilities limits the opportunities to meet housing needs. The proportion of houses without adequate plumbing is three times the national average. Poverty and unemployment rates are disproportionately high. The communities lack some of the most basic public facilities and the resources to provide them.

These counties would be eligible for assistance under the proposed jobs and private investment program, but would have difficulty in qualifying for that assistance. Aid under that program is generally related to capital investments from the private sector, and private investors generally shy away from distressed and underdeveloped areas.

There has been some criticism of ARC in the past for failure to provide sufficient help to the most distressed counties in the Region. The Appalachian Regional Development Act, however, established ARC as an economic development agency and requires it to focus its investments where they can be expected to bring about the highest economic development returns. Few of these investment opportunities are found in the most distressed and underdeveloped counties.

We believe, however, that in a finish-up program the Appalachian States and the Federal government must assume some responsibility to assist these counties prior to the termination of ARC, to give them some basis for hope in the future. We propose, therefore, that the Appalachian Regional Development Act be amended to authorize $15 million annually for five years to provide special assistance to the 60 or so most distressed and underdeveloped of the 397 Appalachian counties.

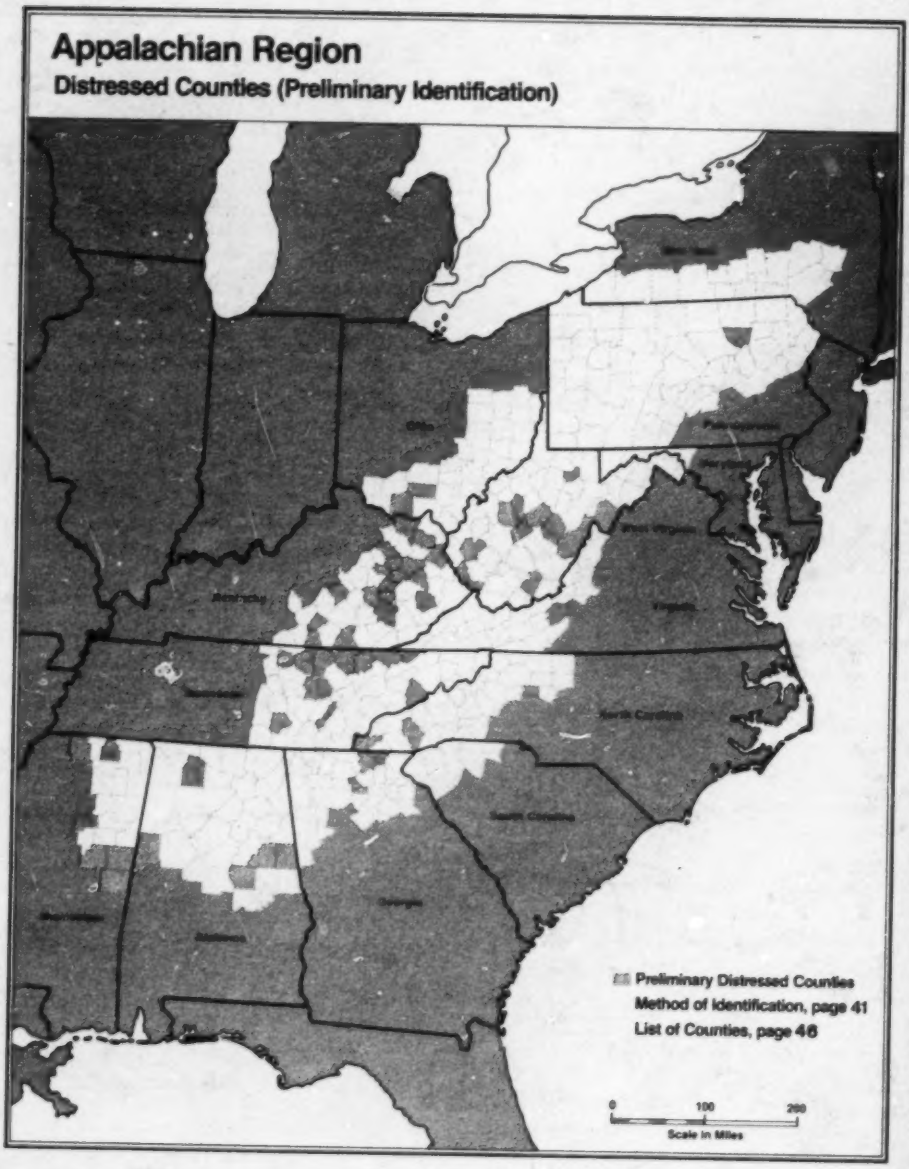
Program Description. During a five-year finish-up program, funds would be used primarily to meet the most severe needs for safe drinking water and affordable waste disposal. The funds could also be used for activities under the jobs and private investment program.

Projects might range from a small, package sewage treatment plant serving half a dozen homes at a project cost of $25,000, to a water system serving 150 people at a cost of $100,000, to a small city sewage treatment plant at a cost of $1 million or more.

Water projects might include:

- Extending, rebuilding or consolidating small water systems to assure safe drinking water;

- Designing and constructing systems for communities and small settlements where existing wells are polluted or have gone dry.


Appalachian Region
Distressed Counties (Preliminary Identification)
Ohio
Kentucky
Virginia
North Carolina
Georgia
Alabama
Preliminary Distressed Counties
Method of identification, page 41
List of Counties, page 46
0
100
200
Scale in Miles

Waste disposal projects might include:

- Extending, rebuilding or renovating existing sewage collection and sewage treatment systems to avoid pollution problems or to extend existing services;
- Constructing pressure, vacuum or small-diameter gravity flow sewer lines to connect unserved houses with an affordable treatment facility;
- Constructing conventional package or alternative waste water treatment systems such as small on-site aerobic or septic systems, lagoons or subsurface absorption systems.

In addition, there could be funding to provide engineering, design and start-up assistance to make certain water and waste disposal systems are properly installed, operated and maintained.

Program Impact. It is estimated that a finish-up program for distressed counties could help bring safe drinking water and waste disposal services to 200,000 people, almost half the people not now being adequately served in the 60 counties. This program would also open up housing and other development opportunities.

Selection of Counties. ARC selected four indicators in order to identify the most distressed and underdeveloped Appalachian counties:

- Per capita income, using "market income" to exclude welfare and other transfer payments which otherwise would obscure economic needs;
- Unemployment, using a three-year average;
- Poverty, using the percentage of county population under the poverty level as defined by national standards;
- Infant mortality, which is generally used as an indicator of distressed conditions.

Counties falling into the lowest 25 percent of the 397 Appalachian counties in each of these four categories were identified. The counties falling in the bottom 25 percent in three out of four categories were preliminarily identified as the most severely distressed and underdeveloped counties (see list on page 46). Material from the 1980 census which becomes available in 1982 as well as additional data from Governors or other sources might require a few changes.

Allocation of Funds. Funds from the $15 million available annually under this program for use in the eligible counties would be allocated to the States. Three-fourths of the funds would be allocated to the States on the basis of population, land area and houses without plumbing in the distressed counties and allocation of the other one-fourth based on the number of such counties.

Health Finish-Up Program

ARC was given by law a responsibility for improving health care in Appalachia, which had long ranked poorly by all national measures.

The Commission initially responded in the late 1960s with an emphasis on construction of critical health facilities. With facilities approaching a level of adequacy in the early 1970s, the Commission initiated a strategy to get in place basic health services within 30 minutes of all the people in Appalachia.

An additional health objective was set after the 1978 ARC conference on children and the family: reduce infant mortality, primarily through improved primary health care.

Since ARC was initiated in 1965, striking progress has been made both in reducing infant mortality and extending health care. The number of counties with severe infant mortality rates was better than halved in the late

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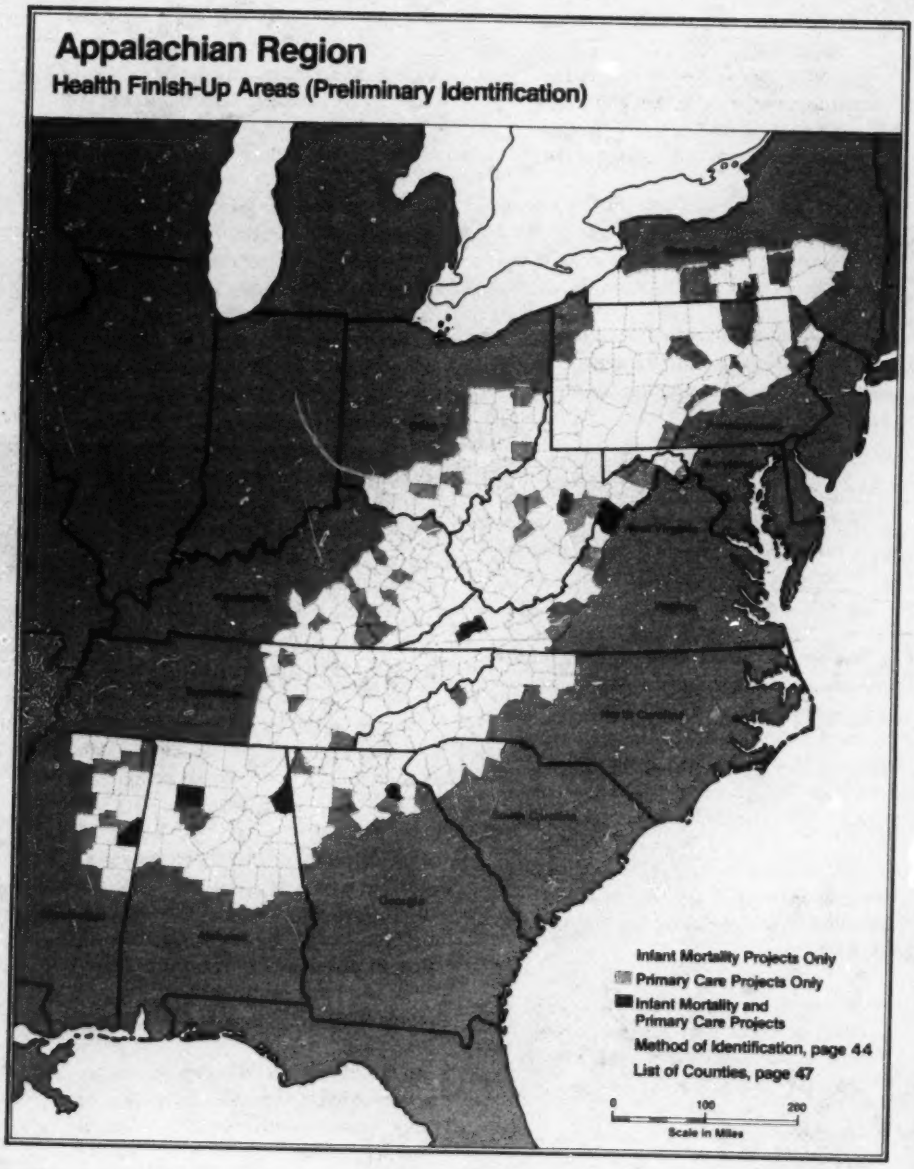
Appalachian Region
Health Finish-Up Areas (Preliminary Identification)
Infant Mortality Projects Only
Primary Care Projects Only
Infant Mortality and Primary Care Projects
Method of Identification, page 44
List of Counties, page 47
0
100
200
Scale in Miles

1970s. ARC's pioneering primary health care program has reached over 300 of the Region's 397 counties.

Some areas in Appalachia, however, have not shared fully in the regional improvement of health care. Some counties still have infant mortality rates 50 percent higher than the national average. Part or all of 71 percent of the Region's counties are still classified as Health Manpower Shortage Areas by national standards.

Program Description. A three-year health finish-up program is proposed to complete the job of bringing primary health care within a reasonable commuting distance of people throughout the Region, of reducing infant mortality and of recruiting needed health manpower in shortage areas.

This program would focus primarily on 82 counties identified as eligible either because they have a severe need for a primary care program or because they have unusually high infant mortality rates (one and one-half times the national average or worse).

Primary care project examples might include:

- Establishing a new primary care facility where there is a sufficient population base and local commitment to continue operating it;
- Providing primary care outreach into areas with such a small population base that a new center would not be economically feasible. Projects might provide for satellite clinics, sites for circuit-riding physicians or visiting nurse services based in a neighboring county.

Eligible costs in primary care projects could include organizational costs, construction or renovation, equipment, planning and management technical assistance, start-up and the first year of operations. ARC would not provide continuation funding.

Infant mortality project examples might include:

- A training course for staffs of small hospitals to upgrade skills at handling more complicated deliveries;
- Public education programs stressing the importance of prenatal care and the availability of local resources;
- Prenatal care services by a local health department or primary care center.

Eligible costs in infant mortality reduction projects could include organizational costs, renovation but not construction, equipment, planning and management technical assistance, start-up and the first year of operations. Projects would be expected to cost substantially less than a broad primary care program. ARC would not provide continuation funding.

Counties which have high infant mortality rates and which do not qualify for the primary care program could use ARC funds only for projects specifically designed to reduce infant mortality.

Program funds also would be available to continue technical assistance activities for recruiting health providers, especially physicians and nurse practitioners, to serve shortage areas throughout the Region. The continuation of this effort could be made particularly productive during the next several years by graduation of increasing numbers of health personnel who will be required to serve in shortage areas to fulfill their obligations to the National Health Service Corps.

Program Impact. By the end of the three-year finish-up period, the program would produce the following results:

- The availability of primary care to approximately 50 counties not previously served would fulfill the Commission's objective of putting basic health care within reasonable reach of every Appalachian;

- Infant mortality rates would be reduced;
- An estimated 150 additional health professionals would be available in shortage areas in the Region;
- Programs established could be catalysts for future development of the health care system in the Region;
- More than 600,000 additional people would gain access to basic health care.

We recognize that this progress in Appalachian health may be made more difficult—and perhaps limited—by cutbacks in various Federal health programs which reduce the financial feasibility of the small clinics serving rural low-income areas in the Region.

Selection of Counties. Areas eligible for primary care projects would be counties which have Health Manpower Shortage Areas designated by the Department of Health and Human Services, and which lack a primary health care program or coverage from another county. Commission analyses determine that there are 57 such counties, as shown on page 48. There may be some additional counties with shortage area designations where primary care exists, but where the services are so far apart that the population could not reasonably commute to them within approximately 30 minutes. The Commission could consider changes to the list of counties eligible for participation if the data available do not adequately reflect actual conditions.

Areas eligible for a special project to reduce infant mortality would be those counties which have a three-year average infant mortality rate (1977-79) exceeding 20 infant deaths per thousand live births (approximately one and one-half times the national three-year average of 13.6). There are 32 such counties in the Region, and they are shown on page 47. As noted on the map, only seven of these counties would also qualify for primary care projects.

Any of the 281 Appalachian counties with officially designated Health Manpower Shortage Areas would be eligible for technical assistance for health provider recruitment, whether or not they are eligible for any other kind of program.

Allocation of Funds. Allocation of funds for the program would be made on the basis of demonstrated needs and timetables in State finish-up plans and investment programs as approved through the regular Commission process.

Technical Assistance

To assist in the implementation of the area development finish-up program, ARC will provide technical assistance which will, among other things:

- Assist in strengthening management of water and waste disposal systems in the distressed counties;
- Provide training programs in enterprise development and housing;
- Support health manpower recruitment programs;
- Assist in the establishment of industry-related child care projects and adaptation of existing programs to meet industry-related needs.

Technical assistance activities will be expected to strengthen the capability of the Appalachian States and local development districts to support economic development of the Region beyond the termination of ARC.

Proposed Development Foundation

Appalachia entered the nineteenth century as a beautiful Region rich in coal, timber and other resources and populated by self-reliant pioneers. A century and a half later, it was a

Region with severe problems because, among other things:

- Much of the wealth generated by Appalachian resources had gone to individuals and corporations outside the Region; little was reinvested in the Appalachian people and their communities.
- Most of the splendid hardwood forests had been harvested prior to the conservation and reforestation practices of recent decades.
- Coal, steel, chemical and other industries, while creating jobs in the Region, caused considerable environmental damage in the years prior to the recent establishment of environmental standards.

In recent years some corporations have shown an increased commitment to the communities in which they do business. We believe many corporations and individuals have an interest in remedying some of the past neglect in Appalachia and a stake in fostering a strong diversified economy. To help accomplish this, we propose to establish a development foundation for Appalachia, and we may seek a Federal charter for it.

The foundation would raise funds and invest them to upgrade the Region, helping to offset the loss of funds from ARC and other sources. During and after the ARC finish-up period, the development foundation for Appalachia would strengthen the public-private partnership needed to attain our ultimate objective: an Appalachia fully in the mainstream of the American economy.

Distressed Counties
Based on Four Indicators of Social and Economic Conditions
(Preliminary Identification)

4 Indicators	3 Indicators
Alabama	
Lawrence	Clay A,C,D
Pickens	Coosa A,C,D
Randolph	
Georgia	
	Dawson A,C,D
	Towns A,C,D
	Union A,C,D
Kentucky	
Lewis	Bath A,B,C
McCreary	Carter A,B,C
	Clay A,B,C
	Clinton A,C,D
	Jackson A,B,C
	Knott A,B,C
	Lawrence A,B,C
	Lee A,B,C
	Lincoln A,B,C
	Magoffin A,B,C
	Menifee A,B,C
	Morgan A,C,D
	Owsley A,B,C
	Powell A,B,C
	Russell A,B,C
	Wolfe A,B,C
Mississippi	
Kemper	Marshall A,C,D
Noxubee	Tippah A,C,D
Winston	Webster A,C,D

4 Indicators	3 Indicators
North Carolina	
	Cherokee A,C,D
	Jackson A,C,D
Ohio	
	Adams A,B,C
	Pike A,B,C
Pennsylvania	
	Sullivan A,B,D
Tennessee	
Claiborne	Campbell A,B,C
Fentress	Cocke A,B,C
Grundy	Cumberland A,B,C
	Hancock A,B,C
	Jackson A,B,C
	Meigs B,C,D
	Overton A,B,C
	Pickett A,B,C
	Scott A,B,C
West Virginia	
Calhoun	Braxton A,B,C
Clay	Lincoln A,B,C
Roane	Mingo B,C,D
Summers	Pendleton A,C,D
	Pocahontas A,C,D
	Taylor A,B,D
	Webster A,B,C

Indicators: A Per Capita Market Income
B Unemployment Rate
C Poverty Rate
D Infant Mortality

Method of Identification, Page 41.

Health Finish-Up Areas

(Preliminary Identification)

Alabama
Chambers*
Cherokee**
Lawrence*
Walker
Winston**

Georgia
Banks**
Cherokee
Dawson*
Heard*
Jackson
Murray*
Towns*
Walker

Kentucky
Bell*
Clinton*
Garrard
Greenup
Knox
Laurel
Lewis*
McCreary*
Montgomery
Owsley
Rockcastle
Russell
Whitley
Wolfe

Mississippi
Choctaw
Clay
Lee*
Lowndes**
Noxubee*
Oktibbeha*
Prentiss
Tippah*
Tishomingo
Union
Webster*

New York
Chenango
Steuben
Tioga

North Carolina
Yancey

Ohio
Carroll
Monroe
Pike
Vinton

Pennsylvania
Bradford
Clinton
Crawford
Erie
Fulton
Juniata
Mercer
Monroe
Montour
Sullivan
Wayne

Tennessee
Fentress*
Jackson
Meigs*
Polk
Van Buren

Virginia
Bath
Bland*
Buchanan*
Floyd
Giles*
Russell**

West Virginia
Calhoun
Clay
Gilmer
Hampshire
Jefferson
Mineral
Ohio*
Pendleton**
Pleasants*
Pocahontas*
Randolph
Roane*
Tucker*
Upshur**

Key:
Areas eligible for primary care projects *only*
*Areas eligible for infant mortality projects *only*
**Areas eligible for *both* primary care and infant mortality projects
Method of Identification, page 44.

The Appalachian Regional Commission

State Alternates

Alabama
Bob A. Davis

Georgia
Steve Rieck

Kentucky
Rush Dozier, Jr.

Maryland
Hans F. Mayer

Mississippi
George W. Parsons

New York
Basil A. Paterson

North Carolina
J. Paul Essex, Jr.

Ohio
Dr. Bennett J. Cooper

Pennsylvania
Geoffrey Stengel, Jr.

South Carolina
Donald Hinson

Tennessee
Dr. Michael McGuire

Virginia
Maurice B. Rowe

West Virginia
Patrick Gallagher

Federal Cochairman
Albert P. Smith, Jr.

States' Washington Representative
Michael R. Wenger

Executive Director
Francis E. Moravitz

Appalachian Regional Commission
1666 Connecticut Avenue, N.W.
Washington, D.C. 20235
202/673-7968

97TH CONGRESS
2D SESSION

S. 2144

To extend the Appalachian Regional Development Act to provide transitional assistance to the Appalachian region.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 25 (legislative day, FEBRUARY 22), 1982

Mr. RANDOLPH introduced the following bill; which was read twice and referred to the Committee on Environment and Public Works

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A BILL

To extend the Appalachian Regional Development Act to provide transitional assistance to the Appalachian region.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Appalachian Transition Assistance Act of 1982".

SEC. 2. Section 2 of the Appalachian Regional Development Act of 1965 is amended as follows:

(1) The sixth sentence of subsection (a) is amended to read as follows: "The public investments made in the region under this Act shall be concentrated in areas where there is a significant potential for future

growth and where the expected return on public dollars invested will be the greatest, in severely distressed and underdeveloped counties lacking resources for basic services, and in areas without access to sufficient health services."

(2) Section 2 is amended by adding the following new subsection:

"(c) The Congress finds that substantial progress has been made toward the achievement of the purposes of the Act but that there are still significant deficiencies to be remedied in order to bring the region closer to a fair share in the Nation's prosperity. The Congress also recognizes, however, that considerations of the national economy, consequent limits on Federal resources and competing national interests require an assumption of greater responsibilities by the States. It is, therefore, also the purpose of this Act to provide for an orderly transition from the special assistance of this Act and other Federal programs to increase State, local and private investment in regional development and to provide assistance to narrow certain critical remaining gaps and assure that maximum advantage is derived from investments already made under the Appalachian program in the region.".

SEC. 3. Subsection (b) of section 105 of the Appalachian Regional Development Act of 1965 is amended to read as

follows: "To carry out this section there are hereby authorized to be appropriated to the Commission, to be available until expended, for the two-year period ending September 30, 1984, not to exceed $5,800,000 (of which not to exceed $900,000 shall be available for expenses of the Federal Cochairman, his alternate and his staff); for the two-year period ending September 30, 1986, not to exceed $5,800,000 (of which not to exceed $900,000 shall be available for expenses of the Federal Cochairman, his alternate, and his staff); and for the fiscal year ending September 30, 1987, not to exceed $2,900,000 (of which not to exceed $450,000 shall be available for expenses of the Federal Cochairman, his alternate, and his staff).".

SEC. 4. Paragraph (7) of section 106 of the Appalachian Regional Development Act of 1965 is amended by striking out "1982" and inserting in lieu thereof "1987".

SEC. 5. Section 201 of the Appalachian Regional Development Act of 1965 is amended as follows:

(1) Subsection (g) of such section is amended by striking out the period at the end thereof and inserting in lieu thereof a semicolon and the following: "$215,000,000 for fiscal year 1983; $234,000,000 for fiscal year 1984; $250,000,000 for fiscal year 1985; and $270,000,000 for fiscal year 1986; $289,000,000 for fiscal year 1987; $312,000,000 for fiscal year

1988; $337,000,000 for fiscal year 1989; and $364,000,000 for fiscal year 1990.".

(2) Subsection (h)(1) of such section is amended by striking out "70 per centum" and inserting in lieu thereof "80 per centum" and by adding at the end thereof the following new sentence: "Projects approved after March 31, 1979, may be adjusted to receive a Federal share not greater than 80 per centum.".

SEC. 6. Subsection (c) of section 214 of the Appalachian Regional Development Act of 1965 is amended in the first sentence by striking "December 31, 1980" and inserting in lieu thereof "October 1, 1987".

SEC. 7. Title II of the Appalachian Regional Development Act is amended by adding the following new section:

"SEC. 215. After October 1, 1982, the Commission is authorized, subject to section 224 and other provisions of the Act, to make grants to States and public and nonprofit entities for projects which will assist in the creation or retention of permanent private sector jobs, the upgrading of the region's manpower, or the attraction of private investment; or will provide special assistance to severely distressed and underdeveloped counties which lack financial resources for improving basic services; or will assist in achieving the goals of providing reasonable access to primary health care for

every resident of the region, providing adequate health manpower, or reducing infant mortality.".

SEC. 8. Section 224 of the Appalachian Regional Development Act is amended by adding the following new subsections:

"(d) Except for development highways under section 201 and for local development district support, research and technical assistance under section 302, no project shall be approved after October 1, 1982, for assistance under the Appalachian Regional Development Act with funds authorized under the Appalachian Transition Assistance Act unless the Commission determines such project—

"(i) is necessary for a related private sector commitment which assures the direct creation or retention of jobs in the region, or which assures a specific private investment that will meet a high priority objective substantially enhancing the economic development potential of an area;

"(ii) will upgrade manpower for jobs in the region through training relevant to the current regional job market;

"(iii) is for the planning, design and engineering, construction, renovation, necessary site or facilities acquisition, equipment or startup operations assistance to assure proper installation, operation and maintenance

of a facility to provide safe drinking water, affordable waste disposal or other similar basic service, in a county designated by the Commission as severely distressed or underdeveloped on the basis of such factors as per capita income, unemployment, percentage of population below the national poverty level, and infant mortality; or

"(iv) is for organizational costs, renovation, equipment, planning and management technical assistance, startup, and not to exceed one year of operations (and, in the case of primary care projects, for construction, including engineering, design, site or facility acquisition) necessary for the provision of primary health care, infant mortality reduction, or recruitment of health manpower in an area determined by the Commission to lack adequate primary health care resources, to have an unusually high rate of infant mortality (considering average infant mortality rate for the three-year period 1977 through 1979 in comparison with 150 per centum of the national average rate and other factors) or in a county with a health manpower shortage area designated by the Department of Health and Human Services.

"(e) Notwithstanding any other provision of this Act, grants under this Act with funds authorized under the Appa-

lachian Transition Assistance Act shall not, after October 1, 1982, exceed 50 per centum of the costs of any project approved under this Act (except projects under section 201), but such grants may increase the Federal contribution to any project, notwithstanding limitations in other Federal laws, to such percentage as the Commission determines within limitations in this Act.

"(f) No funds authorized under the Appalachian Transition Assistance Act shall be approved under this Act for projects (1) in connection with libraries, cultural centers, or recreation facilities; (2) for the construction of schools, hospitals, or government office buildings; (3) for community centers or social services facilities (except as provided in subsection (d) (iii) and (iv) of this section); or (4) for operations, except costs for startup and first year of operations.".

SEC. 9. Section 401 of the Appalachian Regional Development Act of 1965 is amended by adding at the end thereof the following: "In addition to the appropriations authorized in section 105 for administrative expenses, and in section 201(g) for the Appalachian development highway system and local access roads, there is authorized to be appropriated to the President, to be available until expended, to carry out this Act: $166,000,000 for the two-fiscal-year period ending September 30, 1984; $158,000,000 for the

two-fiscal-year period ending September 30, 1986; and $75,000,000 for the fiscal year ending September 30, 1987."

SEC. 10. Section 405 of the Appalachian Regional Development Act of 1965 is amended by striking "October 1, 1982" and inserting in lieu thereof "October 1, 1987".

SEC. 11. Sections 203, 204, 206, 208, 212, and 213 of the Appalachian Regional Development Act are repealed.

O